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# INFRASTRUCTURE AND JOBS

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# HEARINGS

BEFORE THE

## COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

**S. 23, S. 532, S. 724, AND S. 871**

APRIL 11, 12, AND 18, 1983

**PART 2**

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# INFRASTRUCTURE AND JOBS

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MONDAY, APRIL 11, 1983

U.S. Senate,
Committee on Environment and Public Works,
*Washington, D.C.*

The committee met at 10 a.m., in room SD-406, Dirksen Senate Office Building, Hon. Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Symms, Randolph, and Burdick.

Senator **Stafford**. The Committee on Environment and Public Works will please come to order.

Before we reach the business of today, I am going to ask the indulgence of our friends in the audience while Senator Randolph and I perform a very pleasant little ministerial duty.

We are pleased to have on hand this morning the service pins for four of the experienced and knowledgeable members of the staff of this committee, members who are truly critical in making this committee function.

Their work and areas of expertise are better known to the members of this commitee than to the public at large, although they may be familiar to many of those who are here today.

These pins are provided by the Secretary of the Senate following 12 years of continuous Senate staff service and are accompanied by a certificate testifying to that tenure of duty.

It has been a pleasure for us to work with these staff members over the years, and I can assure you that their work is far from finished.

Senator Randolph and I would ask that John Yago, Hal Brayman, Phil Cummings, and Audrey Hatry join us up here and, if they would, stand behind Senator Randolph and myself.

As an aside, I might as well say that from where I sit, as a member of this committee, I felt free because the committee has truly been so nonpolitical or bipartisan, whichever you wish to say.

I have availed myself as freely of the advice and counsel of John Yago and Phil Cummings as I have of those on the other side of the political aisle as far as just lables are concerned.

For my part, it is a great pleasure for me to present one of these pins and one of the certificates to Hal Brayman, who came to the Senate in 1969 working, for Senator Caleb Boggs of Delaware, who, incidently, was a Governor of Delaware at a time the Senator from Vermont was Governor of that State, and I had the pleasure of nominating Cal Boggs to be chairman of the National Governors Conference during that period.

In March 1970, Hal Brayman, became a professional staff member of this committee. He was appointed assistant minority staff director in 1979 and is currently assistant staff director of the committee and senior staff member on the Water Resources Subcommittee.

So, Hal, it is with a great deal of pleasure that I have the opportunity to present to you this pin.

Mr. **Brayman**. Thank you, very much, Mr. Chairman.

Thank you.

Senator **Stafford**. And Audry?

Audry began her career in the Senate, working for Senator John Sherman Cooper—and I dare mention this date because it is not that long ago—in February 1968.

Prior to her appointment to this committee, she was a staff member of the Select Committee on Intelligence.

Audry, we are sorry to say, will be retiring from the Senate at the end of June of this year. So it is particularly applicable that at this time, in recognition of her outstanding service to the committee, the Senate, and the American people, I am able to present you with the opinion and the certificate.

Ms. **Hatry**. Thank you, very much.

Senator **Randolph**. Good morning, ladies and gentlemen.

This is not just another day; this is a new day in the history of this committee because from time to time, we move into areas that are not legislative in nature, and we remember those loyal and knowledgeable members of the staff of this good and great committee. So I am using some agencies here this morning, but I want to do that.

I think that those of us in the Congress, both the House and Senate, should take even more than a moment to express our genuine thanks to those staff members who are very close to us and who give attention to our needs as we trust we can give attention to the needs of the agencies of Government and to the people of the United States of America.

I could speak on and on, as you know.

I am not given to short remarks.

But I want John Yago to stand beside me. John, you were with me in the Labor and Human Resources Committee.

Mr. **Yago**. That is correct.

Senator **Randolph**. You came to the Hill in 1969; is that correct?

Mr. **Yago**. That is correct.

Senator **Randolph**. And you are here now?

Mr. **Yago**. Still here.

Senator **Randolph**. Well, I announced that I would not run for reelection in 1964. I don't want you making any announcements of that kind about your tenure of service here on Capitol Hill.

You have worked with the majority; you have worked with the minority, but most importantly, you have worked with all of us, and it is that type of service that has meant so very, very much to what we are able to do for the men and women who come here to testify and for the justifiable interests that they represent.

It is not wrong for me to say. It is entirely right for me to say John Yago is a West Virginian.

And the pin, John, I presume you will wear it on your lapel.

Mr. YAGO. With pleasure.

Senator RANDOLPH. I will allow you to handle that.

John, it is good to work with you.

Mr. YAGO. Thank you, very much.

Senator RANDOLPH. Thank you.

Phil. Phil, you are from Pocahontas County.

Mr. CUMMINGS. You bet.

Senator RANDOLPH. That is up in the hills of West Virginia.

Do we have sheep there?

Mr. CUMMINGS. We do.

Senator RANDOLPH. Do we have skiing?

Mr. CUMMINGS. Lots of skiing at Snowshoe.

Senator RANDOLPH. And we are trying to get more of you there. We need you.

Mr. CUMMINGS. You all come.

Senator RANDOLPH. We are sort of taking some of the business from Colorado, where another member of our committee is from. He is a candidate, I believe, Gary Hart.

We are delighted.

Now, seriously, you came to Capitol Hill with different routing, as it were, than someone else.

Why don't you take just a moment to say how you came to Capitol Hill?

Mr. CUMMINGS. I started as an intern with this committee, I think about 1½ months after you became chairman of the committee first in 1966, and I spent three summers as an intern here, and one with the Appalachian Commission and then you were kind enough to ask me to join the staff full time when I graduated from law school.

Senator RANDOLPH. Phil, I wanted you to really say that you came to this Hill as one of those who is active in a program of the National Youth Science Campaign.

Mr. CUMMINGS. I should have mentioned that, yes.

Senator RANDOLPH. Would you go back to that?

Mr. CUMMINGS. I first made the acquaintance of the State of West Virginia in the National Youth Science Camp in its centennial year, the State sponsored a program inviting two students from every State in the Union. They have continued every year until the present, but I had the honor to be in the first group.

Senator RANDOLPH. In 1963?

Mr. CUMMINGS. In 1963. We have continued that association every year since, haven't we, Senator?

Senator RANDOLPH. Fine, and two young people from each State came here, met with our Senators.

But they spend 3 weeks in the State of West Virginia, and, there, they get the strength to come to Washington.

Mr. CUMMINGS. Right.

Senator RANDOLPH. Just as you did.

Seriously, though, Phil, you have worked for the committee, worked for all of us, and I know of no one that digs in more than you do, to find, not the answers to questions, but the answers which are necessary.

And so this is an honor. It is in grateful recognition, just as our chairman has given such an honor of grateful recognition.

Here is the pin.

Mr. CUMMINGS. Thank you.

Senator RANDOLPH. Mr. Chairman, I just want to join you for a moment and say that sometimes I have found that Members of the Congress are a little reluctant to say something they should say about the members of their staffs. I know that you have never been reluctant to do that. I think it is up to us, really, to be eager to do that, and so for this minute, which perhaps I should not mention, in the very short statement that came on March 9 that I would not be a candidate for reelection, there was one line in that statement, a very short statement, which I remembered should go there.

I said I have been helped by a loyal and knowledgeable staff. I am glad I said it, because it was true. I know you feel the same way.

Senator STAFFORD. I certainly do. I think the staff have made this committee work as well as it has, and I think it has worked very well. I think our personal staffs have also contributed very strongly to the record that you and I have had here in the years you have been chairman and the later years that I have had that privilege.

I must say, I regret exceedingly your leaving us, Jennings.

Senator RANDOLPH. Oh, don't get into that.

Please. I will be here 22 months, and you keep me at work, will you?

Senator STAFFORD. Oh, I will.

Senator RANDOLPH. Yes, thank you.

Senator STAFFORD. But I now think I have discovered how you are getting skiing away from Vermont; that is through that 3 weeks in West Virginia, the scientific training camps.

Senator RANDOLPH. Thank you, Mr. Chairman.

Thank you, very much.

## OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. Ladies and gentlemen, now we will come to the business of the day. I think this committee has an exciting and challenging opportunity in the coming days to examine the variety of issues that come under the heading of "infrastructure and jobs" to develop a long-term approach that will follow up on the recent jobs bill.

I am pleased to have sponsored, together with Senator Randolph, one of these bills, S. 247. Other distinguished members of this committee have submitted other proposals we will examine with great care.

These bills are comprehensive. They are also, I suppose, controversial. They involve considerable sums of money because the challenge is great. Many legislative techniques could be used to provide an answer.

For instance, I feel certain that we will hear criticism that these bills cost too much money. We may hear alternatives suggested—from tax credits to interest subsidies to other techniques—that hide the costs in lower Federal revenues rather than direct expenditures.

But one way or another, the Federal budget will be affected. I believe the approach in these bills is a responsible one. It is up front. It does not seek to hide the costs or the impact. It does not shift responsibility away from elected officials.

These proposals are ones on which we will value highly the counsel of our many distinguished witnesses who have come to help us.

In closing, it is appropriate to note that the structure that symbolizes our national freedoms, the Statue of Liberty, is scheduled to be closed next year for extensive repairs.

What more melancholy symbol of the challenge we confront in these hearings? We must rebuild that statue, and we must rebuild our Nation.

Now, Senator Randolph, I am sure that you have an opening statement.

## OPENING STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator **Randolph**. Thank you, very much, Mr. Chairman.

Mr. Chairman, earlier this year the committee held several days of hearings on two pressing problems facing our Nation—the large number of jobless Americans and the deterioration of our public facilities. Unemployment levels are totally unacceptable. The number of people unemployed at points during this recession has been equal to those out of work during the Great Depression. My State has unemployment statewide of 20.4 percent. Thousands of coal miners are out of work, and other industries are suffering.

Equally important is the deterioration of our capital stock at both the State and local levels. Years of inflation have caused many State and local governments to neglect orderly maintenance, routine rehabilitation, and appropriate replacement of our public facilities. As one author has said, "America is a Nation in ruins." I agree wholeheartedly with this characterization.

The hearings which the committee held in February demonstrated again the truth of this statement. There is no question that there is a need in this country for an infrastructure rehabilitation program and programs which stimulate economic growth. Almost every witness who testified earlier strongly suggested programs of this type and voiced their local and regional needs.

S. 724, which you and I introduced, Mr. Chairman, was a proposal to address problems which had been brought to our attention. These hearings will allow members of the public expert in this area to give us their views on possible improvements in this legislation.

Mr. Chairman, for most of our nearly 207 years as a Nation, we have placed a great emphasis on building. From a wilderness a strong and prosperous Nation has been constructed which provides its citizens the highest standard of living in the world. Our economy and our way of life were created and are supported by a public capital investment program representing many billions of dollars.

We have become increasingly aware in recent months that public facilities on which we depend are wearing out faster than they are being rehabilitated and replaced. Investment in our public works has declined dramatically over the last decade.

Our citizens are aware of this in everyday life. Drive over our roads, ride our trains, look at our water systems and sewers, and it is plainly obvious that America's underpinnings are no longer staisfactory. A reliable report indicates that public capital investment at all levels of government has declined by two-thirds in constant dollars in the last 10 years. A substantial number of our communities are unable to support modern development until new investments are made in their basic facilities.

Mr. Chairman, we must revitalize our economy, and to do this we must invest in the capital stock of this Nation. The Committee on Environment and Public Works will give careful consideration to the four bills that have been introduced—S. 23, S. 532, S. 724, and S. 871. I look forward to the testimony of all witnesses and to a series of valuable and productive hearings.

Senator STAFFORD. Thank you, very much, Senator Randolph.

I guess that now brings us to the business of the day, which is the listening to our distinguished guests.

I do want to say that one of our problems here in Washington is always that we never have enough time to do full justice to those who, at their own trouble and expense, in many cases, and at the additional expense of a great deal of effort, do come here to help the committees of the Congress in their deliberations.

Today is no exception. We have the full statements of the first four witnesses. We will place them in the record and we would ask you, as reasonably as you can, to summarize the statements so that we will be able to complete the committee's work this morning.

The first witness is Mayor Dutch Morial. You are up here from some rather wet country and that in view of the bad weather we had here recently, we are delighted that the weather cleared up enough to allow you to get up here.

We are very happy you are here, and we hope that New Orleans is drying out as well as we are here.

With a great deal of pleasure, we would ask you to make whatever statement you wish.

## STATEMENT OF HON. DUTCH MORIAL, MAYOR, CITY OF NEW ORLEANS, ON BEHALF OF THE U.S. CONFERENCE OF MAYORS

Mayor MORIAL. Thank you.

Thank you, very much, Mr. Chairman.

As you indicated, I am the mayor of the city of New Orleans. I am here this morning on behalf of the U.S. Conference of Mayors.

I serve within the Conference of Mayors as a trustee and also as chairman of our committee on health, employment, education, and human services.

Over the years, I have been active in all recent conference deliberations on infrastructure, jobs, and urban finance.

We are delighted to be here this morning at the invitation of this committee and to share with you some of our views and to compliment the committee for having taken the lead, and some members of this committee, in developing very worthwhile and intriguing approaches to our combined problems in infrastructure and unemployment.

We would like to discuss our reactions to these proposals and suggest some directions which the committee might consider as it proceeds toward the next step.

As to Senate bill S. 724, the Public Investment Jobs Act of 1983, all four titles of that bill are ambitious and comprehensive attempts to deal with pressing urban and national problems.

Each title generally outlines solutions to problems which the conference has addressed in recent years.

We think that the existence of such broad-based legislation certainly indicates how far the national debate on the problems of cities has come in the last 2 years.

Our comments are essentially to form and structure of S. 724, not to its mission or goals. This is how we view the separate titles of S. 724.

The public capital investment title, title I, is a $5 million per year, 10-year national capital investment program designed to create both immediate job opportunities and a favorable long-range climate for urban economic development.

We in the Conference of Mayors salute the sponsors of S. 724 for such foresight in understanding that this is an appropriate national responsibility, as Senator Randolph indicated in his opening remarks, and in cooperation with States and localities and the private sector, we will be able to address this problem.

However, we have some questions and some hesitation as to the design of title I which can be summarized very briefly: We as mayors concerned about the centrality of the Army Corps of Engineers as the responsible agency for such a national effort.

While some cities—and most assuredly mine—have had a wealth of experience with the Corps of Engineers, there are a number of other cities in this Nation which have not.

While we recognize that perhaps the corps should play an active and strong role in the development and administration of such a program as title I envisions, but that there are other agencies within the committee's jurisdiction that we think should be given some opportunity in sharing this process; the Economic Development Administration, the Department of Transportation or the Environmental Protection Agency should have roles in the implementation of such a key program.

We certainly would also support a more significant pass through to local governments than just those above the 250,000 population.

Mayors of cities of less than 250,000, mayors of cities of 50,000, for example, now have programs and now manage programs in community development, transit, employment and training, and many others which have substantial Federal funds. That capacity exists now in local governments. The unnecessary step of having mayors forced to petition their Governors for access to Federal funds, in our opinion, should not be necessary.

A formula which makes some attempt at targeting funds to areas of greatest need would have our support, and we recommend it to you for your consideration.

Various indicators of age, growth, and distress should be factored into that formula. The Conference of Mayors has had some experience with this, and we would be pleased to work with the committee in the development of a formula which goes beyond the simple criteria of population and road mileage.

We would also hope that the committee would give further examination to the issue of match. As currently drafted, the match would require a State or local dollar for every Federal dollar. A ratio which was more consistent with other national efforts, such as the highway programs, would be far more compatible, in our opinion, with the realities of local finances as we must confront them in our cities today.

As to title II, the economic stabilization and job creation, the bill would authorize some $250 million per year for a variety of capital, planning and technical assistance efforts aimed as private sector job creation and long-term economic development.

The conference strongly supports the aim of title II in this regard. The structure of the specific programs which would be undertaken within this title mirror some of the excellent programs which have been part of the Economic Development Administration over the years.

The EDA has enjoyed a vigorous and strong support of the mayors from across the country. We think that the EDA has a sufficient track record and quality of its delivery system which compels us to believe that the EDA should be strengthened and not supplanted by another agency performing similar functions.

We would urge that title II be administered not by the Army Corps of Engineers, but by the Economic Development Adninistration.

As to title III, standby public investment, we in the Conference of Mayors have long called for the creation of a standby countercyclical public works program so that needed work could be performed by otherwise idle workers in times of economic downturn.

By proposing to authorize up to $200 million per year over the next 10 years, the committee, in our opinion, has stepped forward with a creative and, if enacted, extremely useful vehicle.

We strongly believe that the EDA, which has run massive programs of countercyclical public works in 1976 and 1977 and has had the talent and the relationships with local governments, should be given an opportunity to run this program, as well. And we certainly think they should be involved in title I.

The trigger mechanisms for implementing the program will need close examination.

As to title IV, the historic sites, mayors have strongly supported and worked with historic preservation in our communities. It provides for considerable economic development and many added amenities, as well.

We are pleased to support title IV which would provide some $525 million on a 1-year basis to undertake some of the important physical renovations involved with historic preservation.

We think that component, which includes the inner-city ventures program for the National Trust, is extremely important. We will work with the committee at some later point to insure that local governments have access to whatever funds are made available, and to that extent possible, the work is undertaken in coordination with other local development efforts.

Title V, as to youth employment. As you know, Senator, and the other members of the committee, and, I think, the Nation as a whole, one of the most pressing problems facing our cities today is the staggering amount of youth unemployment, approaching more than 50 percent among our minority youth and very high levels across the board.

The combination of a revitalized youth adult conservation corps and a summer youth employment for community improvement projects is a good start toward meeting that crisis.

The $3 billion per year dedicated to these important efforts is a significant sum but is needed by our cities across this Nation as we approach the summer.

As the committee continues to examine the best mix of efforts toward alleviating the youth joblessness issue, we would urge that close attention be paid to the implementation of the Jobs Training Partnership Act, to insure maximum cooperation with local programs under that banner.

In summarizing our views on S. 724, Mr. Chairman, the Conference sees the outline within it of superb legislation. We wish only to work with you over the next several weeks so that the sum experience that we have as mayors in running programs with considerable success with a variety of Federal agencies can be factored into the approach of this very important legislation.

S. 23, the Rebuilding of America Act of 1983, Mr. Chairman, there is considerable merit in the proposal by Senator Moynihan—who is not here with us today—to establish a National Commission on Rebuilding America which would inventory public improvements needs at all levels and recommend various financing methods for achieving their rebuilding, repair, and renovation.

The U.S. Conference of Mayors, as you know, is proposed for membership on such a commission, and on behalf of the conference, let me say that we would be eager to serve. The Commission would also begin to move the Federal Government into the direction of looking in a more uniform manner at its capital expenditures. We think that is long overdue.

Every city that I know of in this Nation has a capital budget. A Federal capital budget would have an important impact on our annual fiscal and budgetary debates and, in our opinion, improve considerably the public's perception of how the Federal Government does business.

To the extent that the Commission will be looking into concepts like these and those embodied in S. 724 and the Commission suggested by Senator Moynihan, mayors of this country would hope that they are viewed in a coordinated fashion; that there will be a relationship between a commission and the public works type activities to follow that type of inventory.

The Commission might also want to consider whether it might not be appropriate to provide local governments with a year of planning funds with which to establish the equivalent of their own inventories and priorities along commission guidelines and within certain perameters that might be established by the commission, then followed by a program of public works as contained in S. 724.

As to S. 532, the Public Investment Incentive Act of 1983, Mr. Chairman, the concept of State infrastructure banks is one of the more interesting and creative ideas to be proposed in recent years. We compliment the members of this committee for having seen fit to do so.

In many ways, the proposal of Senator Domenici and others to provide $10 billion over 3 years in capitalization for State infrastructure is similar to structures advocated by the Conference of Mayors and others on the national level; namely, the Reconstruction Finance Corp. and the National Urban Development Bank.

Though some progress has been made in some areas, mayors do tend to be a bit wary in most cases of being excessively subject to State policy and administration in the development and implementation of our plans and programs.

In order for State infrastructure banks to work properly, particularly if they were funded with such a considerable infusion over Federal funds, a formal local role would have to be determined to ensure protection of local prerogatives to Federal funds on a direct basis.

The Conference of Mayors looks forward to working with you in refining this concept.

As to S. 871, the Regional Economic Development Act of 1983, we wish to voice our general support for S. 871 introduced by Senator Mitchell. This would be a rather straightforward reauthorization of the basic statute under which the programs of the Economic Development Administration in the Department of Commerce have been carried out.

S. 871 would streamline and coordinate existing EDA functions within an overall framework of increasing private sector participation and involvement in the local strategies carried out under these programs.

Mr. Chairman, as I previously noted, the mayors of this country believe that the city experiences under EDA have been a very positive one, and this proposed improvement, we view it with a great deal of promise.

As the committee moves forward in this coming period to more detailed consideration of its approach in infrastructure jobs legislation, we hope that it will be guided by these principles: Infrastructure/jobs legislation should be built on a foundation of Federal-local foundation; efforts which have worked demonstrably well in the past, such as EDA, should be expanded and increased; infrastructure/jobs legislation should be targeted to areas of need, whether that need is in cities of growth or distress; and infrastructure/jobs legislation should be based, to the maximum extent possible, on direct Federal/city relationships which, in our opinion, is the best way to get the job done efficiently and expeditiously.

The Conference of Mayors, Mr. Chairman, appreciates the opportunity to present our views this morning. We look forward to working with the committee in the days ahead toward speedy enactment of infrastructure jobs legislation.

Thank you so very much, Mr. Chairman.

Senator **Stafford**. Thank you, very much, Mayor.

We are very grateful to you for helping us in our deliberations and for your excellent statement. It is now the committee's privilege to hear Carl S. Young, county executive for Broome County, N.Y. I believe, Carl, that you live in Binghamton; am I correct?

Mr. Young. That is correct.

Senator Stafford. And from our conversation earlier, that you are a graduate of the same college I am, Middlebury?

Mr. Young. Yes.

Senator Stafford. I might even ask what fraternity you belonged to there?

Mr. Young. I believe we belonged to the same one, sir, DU.

Senator Stafford. DU. I shall listen very attentively to what you say.

## STATEMENT OF CARL S. YOUNG, COUNTY EXECUTIVE, BROOME COUNTY, N.Y., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY MATTHEW COFFEY, EXECUTIVE DIRECTOR

Mr. Young. There was some hope on NACo staff that a common bond would lead to entire approval of the NACo position.

Senator Stafford. All right.

Mr. Young, we do have your full statement here, and we would appreciate it if, to the extent you possibly can, you summarize it. The entire statement will be placed in the record.

Mr. Young. Thank you very much, Senator, for the opportunity to testify today. I am here not only as county executive from Broome County but also in the capacity as Vice Chairman of the Transportation Steering Committee of NACo.

With me, on my left, is Matthew Coffey, the Executive Director of NACo. Let me just identify the location of Broome County in as much as it is only slightly less well known than Burlington, Vt., or Middlebury, for that matter.

Broome County is on the southern tier of New York. It is roughly equidistant from the cities of Syracuse and Scanton. We have a population of 213,000 people, and it is a mix of rural, urban, and suburban. The city of Binghamton is both our county seat and our largest city with a population of 57,000. Among our points of interest that we are the birthplace of a number of industries, one small concern manufacturing computers, IBM continues to employ 17,000 people in our valley.

Broome County government employs roughly 2,000 people, full time, and we have a wide range of responsibilities in both the human services area and in the infrastructure area.

We maintain 337 miles of county roads. We have an extensive network of bridges. We operate an airport. It would take a massive public works program, to make it more accessible in weather conditions, but we also operate a mass transit system, a community college, a number of parks, and a variety of public facilities.

Senator Stafford. Mr. Young, is Binghamton, itself a separate municipality?

Mr. Young. Binghamton is a separate municipality.

In fact, there are 25 levels of local government for our 213,000 people. One of the phenomena that is taking place is a gradual evolution to the county of the provision of services at the local level. Many of our local governments are at or near their taxing limits. For instance, the city of Binghamton is within $200,000 of their taxing limits on property taxes. As a consequence, we are seeing a real movement of the delivery of services from some of these local levels of government to the county.

To say that we are heading toward metropolitan government would be an optimistic statement on my part, but I do believe that the foundation is being laid for that direction. And I think this is not atypical in the northeast.

Like most of the counties in the Northeast, we are seeing a substantial decay in our infrastructure system. As I indicated, we are equidistance between Syracuse and Scanton and anyone who has driven Route 81 between those two points has been witness to the decay of that particular stretch of our infrastructure. Recently, our major newspaper is being compressed into a 20 page supplement articles on the decay of the infrastructure in Broome County. They put a price tag of $678 million on the repair of that infrastructure, breaking down into roads, sidewalks, guardrails of $284 million; sewers and storm drains of $197 million; bridges, $77 million; water systems, $48 million; garbage disposal, $40 million and public buildings, another $32 million. I can say with confidence that their figure is probably low. I know that the garbage disposal problem, which is a county responsibility in Broome County, will exceed $40 million.

This breaks out to cost of $8,600 per family in the county, and roughly six times our annual budget. So I think that helps to put in perspective the overall dollar impact. We are not helpless, and we are not sitting on our hands waiting for the man from Washington. We, in Broome County, have undertaken the development of an industrial park to help us develop more jobs and expand our tax base, and we are anxiously looking forward to a relationship with EDA to help us finance the construction of this park and sewer and the infrastructure within that park.

We are very concerned about this, because, as you know, EDA has been seriously curtailed in its capacity to be of assistance, and I would add our voice to that of the mayor in support of continued funding for the economic development administration. I think that efforts to curtail this activity or this agency are shortsighted and counterproductive, to be perfectly honest. In the late sixties and early seventies $1½ a million was spent to develop an industrial park just east of the city of Binghamton.

Today, the facilities within that park employ over 4,500 people. They pay nearly one-half a million dollars in property taxes annually to local governments and school districts. That $1½ million has been returned to the community many, many times over.

In that line, on behalf of NACo and Broome County, I would add our support for S. 871, as well. We just think that this is absolutely essential. While our current employment rate is at the 8.9 percent level, it is nearly 20 percent for youth and I would point out that only 8 months ago, our overall unemployment rate was under 7 percent. So, while, by comparison with some municipalities, we may seem in good shape, we are anxious that we not arrive at that catastrophic condition that has affected many municipalities. We feel that continuation of EDA and the avalability of those types of funds are essential for that.

Let me quickly summarize, and I will read this just to make sure that I do not stray from the intent of our formal testimony, the

NACo policy position which is our initial attempt to address the overall infrastructure problem. First, local government infrastructure needs are simply too large for local governments to handle soley with their own resources. For the most part, local government must rely on property tax—as I am sure you are aware—and regressive taxes, which are so heavily drained by school districts and other levels of local government, that—they are not a big enough base for many municipalities.

County governments have the responsibility for major portions of our Nation's infrastructure system, and we should be involved from the start in development and implementation of national policy.

We are very concerned that the counties achieve a little higher level of visibility in the whole process. As I indicated, more and more services are devolving to us.

Rural and urban needs should be taken into account in an equitable manner in the development of national policy and programs. Furthermore, local developments should qualify for public works grants and loans primarily on the basis of their infrastructure needs, but also including unemployment factors.

Federal Government should move to consolidate infrastructure grants and loan programs with the goal of maximizing local government flexibility, decisionmaking, and priority setting.

We have found that the block grant concept is much more workable for us in terms of letting us identify whether we need roads rather than bridges or sewer systems rather than roads and bridges.

The tax exempt status of municipal bonds should not be changed in any aspect of infrastructure financing legislation. Local government matching requirements should be minimized, especially for economically depressed areas with a demonstrated inability to pay. Additionally, Federal seed funds for infrastructure banks should supplement rather than replace existing programs.

At this time, we do not endorse any specific proposal, any one legislative proposal over another, but we are supportive of an increased Federal role in assisting all levels of Federal Government to meet our infrastructure needs.

The Federal approach to infrastructure problems is generally quite fragmented, in our perception, at this time. We look to a broader basis of coordination and cooperation.

We generally support Federal efforts to survey our infrastructure needs on a State-by-State basis, particularly assuring the involvement of local government officials, city, county, and so forth.

We also support increased Federal funding of infrastructure projects; we support better coordination of public works programs at all levels of government and a voluntary program of infrastructure banks again at the State level, again, assuring actual real local participation.

In addition to the rural and the urban emphasis mentioned above, the Federal Government should develop policies which take into account the infrastructure needs of different regions. Certainly, the needs of New York, Vermont, and the Northeast, in general, are quite different from those in the Sun Belt. We need legislation that recognizes that. It is so obvious, that we seem to overlook that in the actual legislation.

We favor a proportionate process within each State for grant or loan programs involving Federal funds. Too often, the targeting of specific funds for particular projects has resulted in a better system of roads than you really need, but the money was there for roads when you really needed it for bridges or airports.

Mr. Chairman, NACo could not agree with you and Senator Randolph more on the overall goals relating to our infrastructure needs. This is long overdue. I would point out that in New York State, Speaker Fink, who is speaker for the assembly, has also called attention to the needs within the State. The State will have a bonding issue on the ballot this fall.

There must be a long-range, sustained effort coordinated among all levels of government to meet our infrastructure needs if we are to continue to prosper as a Nation. We do believe that the pass-through provisions of title I should apply to cities and counties over 200,000 rather than limiting it to those of 250,000 or more. Again, I think this reflects the direction in which services are flowing, and I know it, as I said, in Broome County. We are only 213,000 people, and yet the provider of services is more and more coming to be county government.

Title II of the bill appears to us to be a positive program very similar to the EDA and, as I indicated earlier, we feel very, very strongly in support of that proposal. Rather than summarize the rest of that testimony or specific points, I would be glad to respond to any questions you may have. Again, thank you for this opportunity.

Senator STAFFORD. Thank you very much, Mr. Young, for your help this morning.

The Chair would say that at least as far as the chairman is concerned, we are well aware of the location of Binghamton. It is on one of the airline routes that we fly between Burlington and Washington, and it is on the preferred route from here to Vermont by car, which we do not do anymore often than we have to because of the time involved. We do go through Binghamton and take the new interstate to Albany.

Let me ask you both to respond to this observation to whatever degree you wish.

If the Federal Government were to create a program such as in S. 724, which is the one Senator Randolph and I have joined in sponsoring, how would you spend the money? What work would you envision for the youth jobs portion of the program, for example?

Mr. YOUNG. In Broome County, first off, the administration of the youth jobs program, we would put it under our employment and training office. CETA was a much handier acronym because it is a whole lot easier than JTPA or whatever, but we feel that this is the proper location for the administration of it, and we have had good success in tying in with the private sector in a variety of job training programs, and we would see this supplementing what is in place now.

In addition to the job creation construction, for instance, the sewer construction, road construction, those areas have been hit pretty hard by the recession recently. I think that there is real potential for younger workers, particularly those right out of high school, to secure employment in those areas. This would be one area where we would see heavy utilization.

Senator **Stafford**. Mr. Mayor.

Mayor **Morial**. Mr. Chairman, we, too, would place it under our office of employment training and development. We would think that some of it should go for public service jobs that are badly needed in the communities across this nation, because the fiscal constraints under which we must function and substantial budget limitations and cutbacks in a variety of services which traditionally have been provided through local governments. We are under similar fiscal problems as the Nation as a whole at the local levels. I would think that we need a public service jobs component in that to tie into the training program so that we could, perhaps, equip many of our young people for meaningful employment.

We have had a variety of training programs in this country over the years: BDTA, CEP, CETA, by a variety of acronyms. We think that there should be some mandate in such legislation that would require that the jobs that are provided would be such that there would be a training component whereby these young people can move into meaningful, long-term employment.

We do not need anything like we had with CEP back in the fifties and sixties where people were trained for positions or for—that did not exist thereafter. I think that any jobs program should also have tied into it some kind of component which would allow for meaningful long-term employment for our young people.

Senator **Stafford**. Thank you, Mr. Mayor.

Mr. Young and Mr. Morial, you suggested that a dedicated revenue source would be wise for the title I program. Do you have any specific suggestions such as to dedicate taxes? If so, on what would those taxes be levied?

I might say, gentlemen, that if you would prefer to answer these in writing on reflection rather than now, it would be most agreeable to this committee.

Mr. **Young**. I would. I would not presume to tell you from whom to take money in the Federal budgetary process.

Senator **Stafford**. We have the same problem.

Mr. **Young**. But I think that from our perspective, a dedicated source of revenue that we can plan for would be best. We have found ourselves in the past simply responding to crises and putting out brushfires, and that gets more expensive than an effective planning process.

Senator **Stafford**. Mr. Mayor.

Mayor **Morial**. Without reflection, Mr. Chairman, I would be extremely apprehensive to suggest what sources might be tapped for running such a program.

I think that we would prefer to respond to those questions in writing, after we have had such time to examine those issues so that we might provide the committee with our best thinking in regard to that.

Senator **Stafford**. We understand that completely, and I think that would be a sensible way to proceed.

I am going to reserve to the members of the committee, who are unable to be here today, the right to submit some questions in writing. Senator Randolph and I may wish to do that also, if that is agreeable with you, for your reasonably early response so it can help us in our deliberations. With that and another expression to you both for the time and trouble involved and the effort made to join us this morning, you have our gratitude, not only from Senator Randolph and myself, but from all of the members of the committee.

Thank you very much, gentlemen.

Mr. YOUNG. Thank you, sir.

Mayor MORIAL. Thank you so much.

Senator STAFFORD. At this point, we are now going to ask Mr. Sommers, who is the senior vice president and chief economist of the conference board from the city of New York and Betti S. Whaley, president of the Washington Urban League, if they would come to the witness table.

While that is being done, I am going to place in the record a copy of the committee's press release regarding these hearings, a release that outlines many of the questions posed or that we will pose to our witnesses.

In addition, I am including charts on unemployment and other economic indicators, as well as a break down of the infrastructure needs.

I also intend to place in the record without objection—and I see no one here to object—an article from the Smithsonian Magazine on the California Conservation Corps. Because of the relevance of the article to this hearing, I am placing it in the record at this point.

[The material referred to follows:]

NEWS RELEASE NEWS RELEASE NEWS RELEASE

# COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS U.S. SENATE

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WASHINGTON D.C. 20510
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FOR IMMEDIATE RELEASE

Contact: Hal Brayman at
202/224-7866

March 17, 1983

A series of hearings to evaluate legislation to improve this nation's infrastructure and develop new long-term job opportunities will be held by the Committee on Environment and Public Works on April 11, 12, and 18, Chairman Robert T. Stafford (R-Vt.) announced today.

"These hearings will look at long-term infrastructure/jobs proposals to succeed the short-term jobs initiative expected to become law," Chairman Stafford explained. The bills that will be evaluated are:

-- S. 23, introduced by Senator Moynihan and others.

-- S. 532, intoduced by Senator Domenici and others.

-- S. 724, introduced by Chairman Stafford and Senator Randolph.

"A great challenge confronting this nation is our need to rebuild our roads, our dams, our water systems -- the bricks and mortar of our civilization," Chairman Stafford said.

"The proposal Senator Randolph and I have made, S. 724, contains five important initiatives," he explained. "These are:

--"A $5 billion-a-year program of matching grants to the states for construction and renovation of infrastructure projects.

-- "A $225 million-a-year program for economic development in rural areas.

-- "A standby public investment program for use at times of recession.

-- "A one-shot effort to renovate historic buildings and sites.

-- "A $3 billion -a-year program of jobs for our young people, putting them to work weatherizing homes, sprucing up urban parks, removing architectural barriers to the handicapped, while also creating a Young Adults Conservation Corps.

"These hearings should enable the Committee to move forward soon, reporting a long-term public investment/jobs bill to the Senate," Chairman Stafford stated.

(over)

In the course of these hearings, Senator Stafford said he expected the witnesses to focus on questions such as the following in analyzing S. 724:

1. The need for the spending levels and time-periods proposed in each of the bill's Titles.
2. An analysis of the allocation or distribution formula utilized in each title.
3. The need for an assured funding mechanism, possibly through a form of dedicated revenues, for Title I and/or Title V.
4. A discussion of the specific types of work to be covered by the various titles of S. 724.
5. A discussion of the degree to which any of the Titles should be broadened or targeted more carefully.
6. A discussion of which Titles are most cost-effective in meeting national needs, and how that cost-effectiveness can be augmented.
7. A discussion of how Congress should mesh the bill with existing Federal investment programs.
8. To what degree should the state programs under Title I become self-sustaining?
9. A discussion of whether the Title I standards for a state program and the targeting provisions and planning provisions of Title II are adequate.
10. Are the provisions involving women and minorities (Sec. 103(a)(1)(F)) and the pass-through provision for the cities (Sec. 103(a)(1)(H)) adequate?
11. Is there a need for a needs inventory? Can one be effective? To what degree should the Federal government assign priorities?
12. A discussion of the eligibility requirements and the trigger in the Title III program.
13. How can this bill create an incentive for new projects, rather than simply substituting a Federal project for one using non-Federal money?
14. A dicussion of whether the various types of activities under Title V are sufficiently broad, and whether the ages covered are the ones to be targeted.
15. A discussion of the Title V eligibility requirements for young Americans.

The hearings will begin each day at 10 a.m. in Room SD-406 of the Dirksen Senate Office Building. Persons wishing to testify, or who wish to have material included with the Committee's hearing record, should contact the Committee's Assistant Staff Director, Hal Brayman, at 202/224-7866.

| STATE | UNEMPLOYMENT TOTAL, JANUARY 1983 | UNEMPLOYMENT PERCENTAGE JANUARY 1983 (thousands) | POPULATION TOTAL, 1981 (thousands) | PERCENTAGE OF TOTAL POPULATION (%) | POPULATION PERCENTAGE OF 18-24 YR. OLDS (%) |
|---|---|---|---|---|---|
| Alabama | 16.6 | 287 | 3,167 | 1.7 | 1.7 |
| Alaska | 12.3 | 25 | 412 | .189 | .2 |
| Arizona | 11.1 | 148 | 2,794 | 1.235 | 1.2 |
| Arkansas | 11.1 | 111 | 2,296 | .989 | 1.9 |
| California | 11.7 | 1,434 | 24,196 | 10.678 | 10.8 |
| Colorado | 9.5 | 149 | 2,965 | 1.31 | 1.4 |
| Connecticut | 8.3 | 131 | 3,134 | 1.36 | 1.0 |
| Delaware | 8.4 | 24 | 598 | .26 | .3 |
| Wash., D.C. | 10.3 | 32 | 631 | .27 | .3 |
| Florida | 10.4 | 499 | 10,183 | 4.5 | 4.0 |
| Georgia | 8.2 | 215 | 5,574 | 2.43 | 2.0 |
| Hawaii | 5.6 | 26 | 981 | .429 | .5 |
| Idaho | 12.9 | 56 | 959 | .42 | .4 |
| Illinois | 13.5 | 756 | 11,462 | 4.94 | 5.0 |
| Indiana | 13.8 | 358 | 5,468 | 2.36 | 2.4 |
| Iowa | 10.9 | 152 | 2,899 | 1.25 | 1.2 |
| Kansas | 7.6 | 90 | 2,383 | 1.04 | 1.0 |
| Kentucky | 12.4 | 208 | 3,662 | 4.68 | 1.6 |
| Lousiana | 11.3 | 204 | 4,308 | 1.88 | 1.9 |
| Maine | 10.0 | 49 | 1,133 | .48 | .5 |
| Maryland | 9.1 | 190 | 4,263 | 1.84 | 1.9 |
| Massachusetts | 8.7 | 258 | 5,773 | 2.5 | 2.0 |
| Michigan | 17.0 | 725 | 9,204 | 3.9 | 4.0 |
| Minnesota | 10.4 | 218 | 4,094 | 1.79 | 1.8 |
| Mississippi | 12.2 | 126 | 2,531 | 1.10 | 1.2 |
| Missouri | 10.9 | 241 | 4,941 | 2.14 | 2.1 |
| Montana | 10.9 | 42 | 793 | .345 | .3 |
| Nebraska | 7.9 | 62 | 1,577 | .68 | .9 |
| Nevada | 12.3 | 60 | 845 | .38 | .4 |
| New Hampshire | 8.5 | 41 | 936 | .41 | .4 |
| New Jersey | 9.0 | 322 | 7,404 | 3.2 | 3.0 |
| New Mexico | 10.6 | 63 | 1,328 | .586 | .6 |
| New York | 9.6 | 755 | 17,602 | 7.6 | 7.0 |
| North Carolina | 10.0 | 261 | 5,953 | 2.6 | 3.0 |
| North Dakota | 9.4 | 28 | 658 | .28 | .3 |
| Ohio | 14.9 | 738 | 10,781 | 4.66 | 4.6 |
| Oklahoma | 7.7 | 109 | 3,100 | 1.37 | 1.3 |
| Oregon | 13.6 | 177 | 2,651 | 1.14 | 1.0 |
| Pennsylvania | 14.9 | 805 | 11,871 | 5.12 | 5.0 |
| Rhode Island | 12.2 | 59 | 953 | .41 | .4 |
| South Carolina | 11.6 | 171 | 3,167 | 1.38 | 1.0 |
| South Dakota | 7.7 | 24 | 686 | .298 | .3 |
| Tennessee | 13.7 | 288 | 4,612 | 2.00 | 1.9 |
| Texas | 8.5 | 646 | 14,766 | 6.59 | 6.7 |
| Utah | 9.7 | 65 | 1,518 | .67 | .7 |
| Vermont | 8.0 | 21 | 516 | .22 | .2 |
| Virginia | 9.0 | 240 | 5,430 | 2.37 | 2.0 |
| Washington | 13.3 | 271 | 4,217 | 1.83 | 1.8 |
| West Virginia | 20.4 | 158 | 1,952 | .84 | .8 |
| Wisconsin | 13.4 | 324 | 4,742 | 2.05 | 2.1 |
| Wyoming | 9.9 | 24 | 492 | .27 | .2 |

| YEAR AND MONTH | UNEMPLOYMENT RATE, TOTAL (Percent) | NUMBER OF PERSONS UNEMPLOYED, LABOR FORCE SURVEY (Thousands) | INDEX OF INDUSTRIAL PRODUCTION, DURABLE MANUFACTURES (1967=100) |
|---|---|---|---|
| 1981 | | | |
| January | 7.5 | 8,048 | 151.4 |
| February | 7.4 | 8,032 | 151.8 |
| March | 7.3 | 7,967 | 152.1 |
| April | 7.2 | 7,860 | 151.9 |
| May | 7.5 | 8,133 | 152.7 |
| June | 7.4 | 8,047 | 152.9 |
| July | 7.2 | 7,854 | 153.9 |
| August | 7.4 | 8,053 | 153.6 |
| September | 7.6 | 8,271 | 151.6 |
| October | 8.0 | 8,673 | 149.1 |
| November | 8.3 | 9,025 | 146.3 |
| December | 8.6 | 9,389 | 143.4 |
| 1982 | | | |
| January | 8.6 | 9,346 | 127.1 |
| February | 8.8 | 9,669 | 129.3 |
| March | 9.0 | 9,881 | 128.2 |
| April | 9.3 | 10,256 | 126.7 |
| May | 9.4 | 10,384 | 126.1 |
| June | 9.5 | 10,466 | 125.5 |
| July | 9.8 | 10,828 | 125.9 |
| August | 9.9 | 10,931 | 124.9 |
| September | 10.2 | 11,315 | 123.5 |
| October | 10.5 | 11,576 | 120.5 |
| November | 10.7 | 11,906 | 119.3 |
| December | 10.8 | 12,036 | 119.3 |
| 1983 | | | |
| January | 10.4 | 11,446 | 1 |
| February | 10.4 | 11,490 | |
| March | 10.3 | 11,381 | |

| YEAR AND MONTH | INDEX OF 12 LEADING INDICATORS (1967=100) | INDEX OF 4 ROUGHLY COINCIDENT INDICATORS (1967=100) | INDEX OF 6 LAGGING INDICATORS (1967=100) |
|---|---|---|---|
| 1981 | | | |
| January | 135.2 | 142.0 | 189.1 |
| February | 134.2 | 142.5 | 186.5 |
| March | 135.8 | 142.4 | 181.2 |
| April | 137.3 | 142.2 | 179.4 |
| May | 136.0 | 142.2 | 189.6 |
| June | 135.2 | 142.7 | 191.4 |
| July | 134.8 | 142.8 | 192.6 |
| August | 134.1 | 142.5 | 193.5 |
| September | 130.7 | 141.8 | 194.1 |
| October | 128.3 | 139.9 | 189.5 |
| November | 128.2 | 138.5 | 184.9 |
| December | 127.1 | 136.5 | 181.7 |
| 1982 | | | |
| January | 125.5 | 134.1 | 182.5 |
| February | 125.1 | 135.7 | 184.1 |
| March | 125.0 | 135.0 | 183.8 |
| April | 126.5 | 134.0 | 184.5 |
| May | 127.6 | 134.9 | 184.1 |
| June | 128.2 | 133.3 | 183.8 |
| July | 129.9 | 132.5 | 182.5 |
| August | 129.2 | 131.3 | 175.2 |
| September | 130.2 | 130.5 | 172.4 |
| October | 130.6 | 128.5 | 168.4 |
| November | 130.8 | 128.3 | 165.0 |
| December | 132.8 | 128.2 | 169.9 |

*Figures for 1983 not yet available.

## INFRASTRUCTURE

## ESTIMATED ANNUAL 1983-1990 NEEDS, AND 1982 OUTLAYS

(Figures in billions of 1982 dollars.)

| Program | Annual Needs: New Construction | Annual Needs: Repair and Replacement | Annual Needs: Total | 1982 Outlays: Federal | 1982 Outlays: State and Local | 1982 Outlays: Total |
|---|---|---|---|---|---|---|
| Highways | $ 12.2 | $ 15.5 | $ 27.7 | $ 9.0a/ | $ 9.1 | $ 18.1a/ |
| Municipal Water Supply | 3.6 | 4.1 | 7.7 | 0.9 | 3.5 | 4.4 |
| Wastewater Treatment | 6.1 | 0.5 | 6.6 | 4.5 | 1.4 | 5.9 |
| Water Resources | 2.4 | 1.7 | 4.1 | 2.3 | 0.4 | 2.7 |
| Airports | 1.1 | 0.4 | 1.5 | 0.4 | 0.5 | 0.9 |
| Air Traffic Control | 0.7 | 0.7 | 1.4 | 0.3 | b/ | 0.3 |
| Public Transit | 2.2 | 3.3 | 5.5 | 2.7 a/ | 1.0 | 3.7 a/ |
| Total | $ 28.3 | $ 26.2 | $ 54.5 | $ 20.1 | $ 15.9 | $ 36.0 |

a. In 1983, federal funds available for highways will increase by about $4 billion, and funds for public transit will increase by about $1 billion.

b. Less than $5 million.

Source: Congressional Budget Office

*By Thomas A. Bass*

# A reborn CCC shapes young lives with an old idea

*Taking a chapter from our Depression history, California offers thousands of young people 'Hard Work, Low Pay, Miserable Conditions'*

A 1940 enrollee in original Civilian Conservation Corps cuts through rock to build trail still in use today.

On a trail near the summit of Mt. San Jacinto, the California Conservation Corps is at work. Using rock hammers and shovels, a crew of young men and women lays a stretch of riprap—crushed rock and fill—over a steep grade of switchbacks. A teen-age girl and her father walk up the trail and stop to catch their breaths. "I had no idea somebody actually *did* this sort of work," says the girl. Joe Schroeder, busy cutting chinquapin off the sides of the trail, explains to the girl about the CCC and its backcountry projects. "When you're old enough, you ought to join," he concludes. "It's really a lot of fun."

Schroeder is the 19-year-old son of a tennis pro in Palm Springs. A bright, energetic kid, he was working the night shift at Winchell's Donuts when he decided to join the CCC. "When I told my friends I was joining the Corps, they said to me, 'You're crazy, man. You'll have to work your tail off.' " Schroeder laughs. "They didn't understand. That's what I wanted to do."

The organization's motto is "Hard Work, Low Pay, Miserable Conditions." It teaches skills no more exalted than proper use of an ax and shovel. It pays minimum wage for backbreaking work. But with a waiting list of applicants, and nearly unanimous praise from the legislators who fund it, the California Conservation Corps is obviously doing something right.

The name intentionally evokes the original Civilian Conservation Corps which employed 2.5 million men at the height of the Depression from 1933 until 1942. Fifty years ago this month the first enrollees in "Roosevelt's Tree Army" started work that would soon affect the land, forests and waterways of every state and territory of the nation. With up to 15 million people unemployed and America in dire need of land conservation programs, the CCC enjoyed tremendous popularity. The men lived in 4,000 camps and earned $30 a month out of which about $25 was sent home.

There are few testimonials given now to the work they accomplished, but in nine years the original CCC planted more than two billion trees, constructed thousands of miles of trails and access roads and spent 6.5 million days fighting forest fires, with annual losses dropping to their lowest point ever. In a typical year enrollees laid 44,750 miles of telephone lines, maintained 62,920 miles of trails and built 420,000 dams. They built trails in the Grand Canyon, the paths along the Chesapeake and Ohio Canal and much of the Pacific Crest Trail, which runs from Canada to Mexico. One enrollee, Earl Kidd, summed it up when he wrote, "The CCC has given . . . faith that restores belief in

Jeannie Ruck, 21, hauling logs from clogged creek bed, understands meaning of the CCC equal-work rule.

*Photographs by Liane Enkelis*

Friends and family left behind, his future uncertain, recruit Jerry Simmons faces his first day with CCC.

one's physical, mental and spiritual self, in [one's] associates and in the future."

This year Congress is pushing a new youth employment bill that would commit $300 million a year, through 1989, to the American Conservation Corps. With social conditions today similar for many to those of the '30s, it is worth examining the California Conservation Corps to see how—and how well—it works.

In addition to fighting 200 blazes yearly, Corps members grow close to three million trees from seed and plant them each spring. They clear streams, build trails, construct parks, restore landmarks, and do much the same work as the original CCC. Some specialize in newer alternative-energy projects such as building solar hot-water systems.

For their Herculean labors, the 1,800 members of the Corps receive in return Spartan quarters in residential camps and a daily regimen that starts with a two-mile run at 6 A.M. Out of their salary of $581 a month, they pay back $145 for room and board. Women make up more than a third of the Corps, and everyone does the same work and wears the same uniform of high-topped boots, cotton pants, tan shirt and hard hat.

This "ecological militia" operates out of 26 centers, each with its residents on call for emergencies 24 hours a day. A ragtag collection that includes recycled hospitals and fire stations, these centers also occupy an old naval barracks on San Francisco's Treasure Island and a former nudist colony near San Diego, but most of them are located out in the deserts and mountains.

Strung 1,000 miles between the borders of Oregon and Mexico, these CCC camps have their quirks and specialities, but they also share a common identity. They are neat, if not spiffy. Work is the order of the day, but morale is high. Food is plentiful and competition friendly in the after-dinner games of Hacky Sack (a kick-ball game) or horseshoes.

### *The hardest work and the best food*

There is spirited rivalry among the camps. The fire fighters, sleeping several to a room and on constant alert, claim to have the hardest assignment—disputed by Corps members on "spike" (a term used by loggers meaning "temporary camp") in the desert or engaged in clearing logjams out of streams. Both the energy conservation crews and the "solar gypsies"—so named because they live and work out of six converted buses—vie for recognition as the "Einsteins" of the Corps. As for the best cuisine, Placer Fire Center offers tasty vegetables from the garden, and San Francisco does well by Asian foods. But everyone knowledgeable in the matter agrees that you can't beat Nadine Azevedo's homemade tortillas and salsa verde at Yosemite.

Uniforms are optional after a nine-hour workday,

Tietia Gilbert, 18, appears nervous during training, but has since become a fire fighter at Placer Center.

and anyone can visit the nearest town, if there is one, on weekends. But daily life for Corps members while in camp is run on a no-nonsense schedule with five inviolable rules: no drugs, no alcohol, no violence, no destruction of state property and no refusal to work. Enrollment is limited to one year, except for those hired for a second year as crew leaders.

To join the CCC one has to be between the ages of 18 and 23, a resident of California, and willing to work. Candidates sign a statement of consent, called the "nasty letter," which reads in part: "The CCC is a WORK program. You will do dirty, backbreaking work; and no one will thank you for it. . . . You will work in rain, high winds, intense heat, snow, mud, and cold mountain streams. Above all you must accept supervision. You must follow instructions."

Joann Payan, 21, was active in the Latin Queens "social club" in San Bernardino when she joined the CCC: "I've never done anything like this before, and I have my mind set on doing a good job."

Along with a curriculum of night classes and a requirement that everyone without one get a high school diploma, Corps members are also required to keep daily journals. Joann Payan had just finished training as a fire fighter and was on her way to action in Los Angeles County when she wrote: "The CCC is a pretty cool place if you like the outdoors and hard work. If you're looking for an air-conditioned room and no sweating, you're in the wrong place."

Kathy Hastings, 19, was employed cleaning houses for a developer in Riverside when she saw the following advertisement in the local newspaper: "Women and men—18 to 23. Fight fires, build trails, plant trees, fight floods. The California Conservation Corps has a job for you (if you can handle it)." "I made more money in a week cleaning houses than I do now in a month," she told me. "But I wasn't having fun."

Most of its recruits leave less behind on joining the CCC than Kathy Hastings. Even the official statistics on youth unemployment in California show about 30 percent. As Robert Pope, a young man from Vallejo, puts it, "Dope, messing up, and stealing is all that my friends back home have going for them." The CCC has developed a credible reputation: businesses and state agencies hire its graduates.

I drive out into the San Joaquin Delta one day to meet a CCC crew sandbagging levees. There are 6,000 acres of McDonald Tract flooded, and I find the eaves of barns and houses barely visible above the water. The air reeks of hydrogen sulfide bubbling up from rotting crops, and the work of securing the levees with stakes, wire, sandbags and plastic is as dirty as any promised in the "nasty letter." Lunch break here is also a time to write, and an affable young man from East Los Angeles shows me his journal. The first entry reads: "My name is Ed Wallace and the reason why I'm

Fire fighter Eileen Macken chooses a quiet moment to write in her journal, a daily requirement of Corps.

Karen Vinciguerra measures the slope of the grade on trail before crew packs it with fill and crushed rock.

Eric Vanderleest used to cut granite for the CCC, but he has now become an energy auditor for the state.

here is because I was out of work for six months and I found my life going nowhere. Every day I would get up at 11 o'clock and watch TV for two hours."

The most recent entry in his journal begins: "For the first time I actually saw the flooded Delta. It blew me away. It really is a disaster. We tied together phone poles all day to put them in the water, string them out, and anchor them where the water gets shallow. When the wind picks up and makes waves, the telephone poles should stop the wave action."

The first Wednesday of every month the Greyhound bus station in Sacramento fills with some 300 new Corps members arriving from around the state. After a day filling out forms and being measured for uniforms, these young men and women are bused again to the CCC Training Academy outside of San Andreas. Up in the Mother Lode country of the Sierra, in a former youth detention facility, they spend three weeks learning how to use hand tools, fight fires, and follow instructions from wake-up call at 5:30 A.M. until lights-out at 10 P.M. Those who survive this part of the CCC ordeal will be assigned at random to a "home" center, where life should seem friendlier, even if the schedule remains the same.

On "intake day" in Sacramento I see a white-haired, grandmotherly woman waving goodbye to her son, Bryan Rosetta. "I'm so glad to see him go," his mother says to me. "He's the youngest of the three and it's time he was off on his own. My brother was in the original CCC, and it made a man of him."

For many of these young people this will be their first job, if not their first time away from home. Friendships will make up a good part of their experience in the Corps, and letters from camp to camp often count as daily writing assignments. As one staff member puts it, "What happens when Watts meets Eureka in the dormitory is the story of the CCC."

Many of those registering are women, and the Corps is actively trying to recruit more. Women drop out less frequently than men, and Hispanic women fare best of all. Dormitories are segregated by sex, but otherwise the CCC insists on absolute equality in working conditions. Suzanne Anderson, director of training at the Academy, delivers a speech to new recruits. "The

*Author Thomas A. Bass is a free-lance writer whose article on the Rocky Mountain Biological Laboratory appeared in* SMITHSONIAN *last May.*

roles are changing," she says. "It's time for women to step out and help. You can put on mascara and curl your hair, but you can also learn to use a pickax and a brush hook. It's OK to cry around here, so long as you cry and work at the same time."

There is much else that changes or is left behind on joining the Corps. Like cars. "My friends back in Harbor City are all low riders," says 19-year-old Eddie Soto. ("Low riders" outfit their cars with hydraulic levelers so that the bodies can be swayed or dropped to the pavement.) Soto himself owns a 1975 Cadillac with a "bad" paint job and wire wheels. "My favorite thing on Saturday night was to cruise Hollywood Boulevard dropping my ride," he says. "Doing classic moves, like pancaking, which is when you drop the car all the way to the ground and the sparks fly."

When a job at any restaurant or doughnut stand will give you enough money to keep a car on the road, why leave it behind and head for the backcountry of California to build trails by hand and clear logjams out of streams? As Eddie Soto puts it, "I want to get my high school equivalency and learn some skills. It's the only way I'm going to get anywhere."

The history of the California Conservation Corps reaches back to the administration of then-Governor Ronald Reagan, who in 1971 founded the Ecology Corps as an alternative service program for conscientious objectors. Soon after his election as Governor, Jerry Brown abolished the Ecology Corps and transferred its functions into the more broadly-based CCC.

The Corps foundered for a number of years between indecisiveness and political corruption. Accused of attracting drug dealers and hooligans, the CCC was facing calls for its early abolition when Brien Thomas Collins was appointed director in 1979. A hard-drinking Irishman from New York who had been disabled by a faulty grenade while leading a platoon through the Mekong Delta, Collins turned out to be an administrative genius with a knack for promoting talent and generating enthusiasm. "I do not care about you!" Collins would bellow at new Corps members during his monthly address at the academy. "I am not concerned with your happiness. I am concerned with the expenditures of taxpayers' dollars. I know I'm going to work you to death. And I know you're going to work hard or I'll fire you."

Jeff Smith climbs a tree to gather seeds to germinate for annual planting of three million trees by CCC.

Under glass, Chris Sauer nurtures native shrubs, trees, grasses for stream- and trail-recovery projects.

Collins also excelled at turning arguments against the CCC on their heads. Attrition out of the Corps is steep. The average stay is five-and-a-half months, while only two out of ten recruits make it through an entire year. (These figures are slightly misleading; they neglect "positive attrition," which includes leaving the Corps for full-time schooling or a job.) Collins explained: "We made it something like the Marine Corps. We toughened up on the rules and just started firing them. It has become a status symbol to survive."

Beyond Collins' leadership, it was actually a number of state disasters that catapulted the CCC into the news and helped to reverse its fortunes. In February 1980 the Corps fought flooding out on the levees of San Joaquin Delta and throughout the state. Wearing their hard hats emblazoned with "CCC" at every camera angle, night after night on the evening news Corps members appeared to bail out the sinking ship of state. The CCC made news later that year when it fought major fires in Southern California.

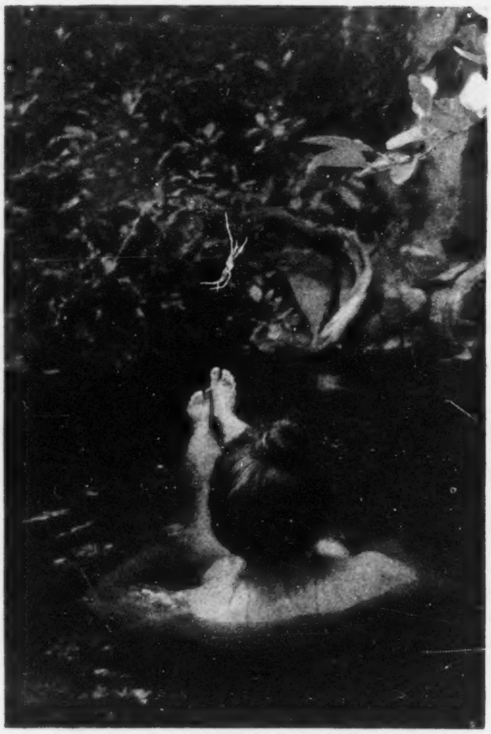
It was actually a more quixotic event that again mobilized the CCC en masse. The fame of the three C's rests on the three F's. The Corps had already performed heroically in fires and floods. Now came flies. In 1981 there were two major alerts against an infestation of Mediterranean fruit flies. Nearly 1,000 Corps members were mobilized and became involved in tree stripping. They slept in tents and public buildings until their work was finished. For weeks, laboring 11 hours a day, seven days a week, the CCC stripped 589 tons of fruit by hand in a 200-square-mile area.

### *New skills replace brown strokes*

Later that year, John Dugan took over the Corps. Also a New York Irishman, he had walked a police beat in Harlem for three years before joining the Army, where he acquired, as an Air Cavalry commander in Vietnam, a Silver Star, the Distinguished Flying Cross and some Air Medals. Dugan had been second in command at the CCC. Now his program has moved forcefully into teaching skills. After one of his speeches to new Corps members at the Training Academy, he remarked to me, "You saw what was out there. That audience was fraught with failure. Their lives have been nothing but brown strokes. The state is filled with kids like that. But all you have to do is reach down, pull out their character, give them a little self-esteem and direction, and they'll flourish."

Dugan counters charges that the program costs too much. In six years the CCC has employed 17,000 young people and returns to the taxpayer $1.65 in benefits for every dollar spent. "CCC-type programs are an idea whose time has returned," he says.

Robert Burkhardt was a plumber and circus juggler



A bath in a cold stream helps Roxanne Strangfeld relax her sore muscles and wash away dirt and sweat.

Sandbagging levees during flood on McDonald Tract proves a challenge—but fun—for Kathy Svendsen.

CCC fire fighter cuts a path to block the spread of a forest fire that destroyed 20,000 acres last year.

before he started work at the CCC, although he also held a doctorate in education. Now its chief deputy director, he is an irrepressible source of ideas and memos, many philosophical in nature and speckled with quotations from Rousseau to Roosevelt.

For years people have remarked on the collapse of public education in California and elsewhere. Even though two-thirds of its recruits have high school diplomas, Corps members, on the average, read at the seventh-grade level. The Corps expects everyone to raise this two grade levels in a year by taking courses or completing a high school diploma. Toward this end, Burkhardt sent out a directive: "Each One, Teach One," the idea being that Corps members who knew how to read would teach others who did not. But with many still having trouble reading, it became apparent that their real problem was an inability to write.

Burkhardt fired off another directive: "Everyone Writes, Every Day." Corps members were told to write daily and required to turn in at least 250 words a week to their crew leaders. "We set out," says Burkhardt, "to integrate writing into their daily lives."

At one point in my travels I find myself spending four days on horseback with Burkhardt, riding the High Sierra trails above Yosemite Valley. He is making a tour of the 60 Corps members who each summer provide the National Park Service with half of all its backcountry crews in California.

The skill of trail building, using only hand tools and muscle, is nearly a lost art. Mark Meleason and Myra McCracken explain the theory of it as we walk over some of their recent work. "To build this causeway," says McCracken, pointing to a corridor of rocks laid on a granite ledge, "required a lot of pissanting," which is the backcountry term for hauling rocks from point "A" to point "B." "We dug in this wall of boulders," she says, "and then secured keystones at the head and foot of the causeway, before pissanting another few tons of material to fill it up with alternating layers of crushed rock, sand and dirt."

### *The work should never show*

"The trick in building something like this," says Meleason, "is that you want it to last 50 years, and you want it to look natural. We spent nearly two weeks here, but we hope people walking down the trail won't even notice what we've built."

During a month traveling through California looking at CCC camps, I attract unsolicited testimonials from many people who have been helped by the Corps. Judith Alexander owns a house on the north coast of Marin County, which suffered torrential rains and flooding in January 1982. "Four feet of mud filled the streets," she tells me. "My neighbors were losing their homes and everything they owned. The first people to reach us were a crew from the CCC. With more storms on the way, they spent two weeks sandbagging our houses and clearing mud out of the streets. We put radios out for them to listen to the Super Bowl, but they worked right through it. They were like angels or elves. I don't know where they slept at night, but there they were every morning, out to save our houses."

One day Clark Emch, director of the nearby CCC center, and I hike to the summit of Mt. San Jacinto, a 10,824-foot peak rising straight out of the desert. He wants to look at the work being done by Joe Schroeder and his crew. "We were sleeping on the job," says Schroeder, "but when we saw you guys coming up the trail, we quickly laid a mile of channels and runoffs."

They are rebuilding a section constructed in the 1930s by the original CCC, and all along the trail we pass historic evidence of the old Tree Army at work: a boiler rusting in the woods, a mule-drawn scraper, a rescue shelter made out of rocks and moss chinking. "We've forgotten how to build like this," says Emch, studying the shelter. "This country has lost a sense of workmanship, and we're suffering for it."

While the Corps members explain to me how they run this project, we look across the smog-filled desert. This vast stretch of ancient sea bottom is controlled by a patchwork of state and federal agencies, all of them vying for work crews. The Corps promotes a freewheeling system of swap and barter, where the National Park Service at Joshua Tree National Monument provides tents, and the CCC, in turn, builds them a radio tower, or the town of Yucca Valley gets a new playground for giving crews classes at night. "I just wish we could do more," one of them comments. "Like build a park from the ground up."

The language of the California Conservation Corps is remarkably old-fashioned. It speaks almost a Biblical tongue full of words such as "character" and "responsibility." People talk earnestly about the integrity of work, even the art of it. But mainly what I see at the CCC camps are young people *doing* work. They restore parks in the Mojave Desert, cut trails in Yosemite and fight fires in the Sierra. With this physical labor as a backdrop, members of the Corps have earned the right, as few others have, to talk about the value of work.

Jeannie Ruck (left) and crew leader Leatha Harris celebrate end of another day of clearing streams.

Senator STAFFORD. Now, if it is agreeable to you, Mr. Sommers and you, Ms. Whaley, we will take the liberty of treating you as a panel in the sense that we will ask you both to testify before we get to questions.

The Chair, coming from Vermont, does not know about protocol anyway, but I am aware of what the protocol here would be in terms of seniority of the two panel members. Therefore, I would recognize President Whaley of the Washington Urban League first, if that is agreeable to you both.

Mr. SOMMERS. By all means.

Senator STAFFORD. I would remind you that time is of the essence and that we have your detailed statements. If you can summarize them, the committee would appreciate it.

## STATEMENT OF BETTI S. WHALEY, PRESIDENT, WASHINGTON URBAN LEAGUE

Ms. WHALEY. Thank you very much, Mr. Chairman. I am Betti Whaley, president of the Washington Urban League. The Urban League thanks you for inviting us to testify today, and I do applaud this committee for scheduling these hearings to explore how best to create jobs and, at the same time, rebuild the Nation's infrastructure.

The Washington Urban League has been in this community for 45 years. Over that period of time, we have been in the business of helping the unemployed, the underemployed and the unskilled. In fact, just last year, in our office we provided employment assistance to more than 8,000 people. Our approach is comprehensive. It includes both job counseling, referral, training skills and job placement. In the past, the Washington Urban League has operated a variety of federally funded programs, particularly the jobs programs. In the late sixties, we operated an on-the-job training program that eventually had more than 800 enrollees. Through the seventies and into the eighties, we continue to operate jobs programs to targeted groups including disabled veterans, adults with dependant employment program, CETA title VI public service/work experience program, summer youth employment programs, and the word processing training skills center.

It is important that I indicate that the National Urban League movement of the 108 affiliates has a good track record of sound fiscal management and professional implementation of jobs programs.

In fiscal year 1981, over 100 urban league affiliates were operating jobs programs which collectively were funded at $25 million. More than 68,000 persons were employed in our programs across the country—were enrolled. Out of that number, 23,000 were placed in unsubsidized employment. I am very proud to say this was done for an average cost of participation of $2,200 as contrasted to the $6,000 participation costs that was quoted by the Department of Labor in a program they ran by a group of freely based organizations.

My comments this morning will be restricted to S. 724, which proposes both job creation and targeted jobs for young people. I think it is laudible for this committee and the sponsors of S. 724 to be proposing ways to improve our infrastructure as well as creating jobs.

You will get no argument from me that there is a need to rebuild this Nation's infrastructure. I think our major concern is that the whole concept of infrastructure be broadened to include community facilities and depressed neighborhoods. All of us are looking for ways to address the unemployment problem. Sometimes in our rush to do so, we lose sight of helping people get jobs and keep them.

The most important ingredient, we feel, in any jobs program is skills training. Persons that acquiring meaningful skills training while enrolled in Federal-funded jobs programs are much more likely to be able to compete in the job market.

Our experience with CETA—other speakers have addressed that—confirms that the analysis that was made by the National Alliance for Business indicated that title VII was much more successful than title II because it had the additional component of the jobs training.

Our efforts indicate that in this community alone, there are more than 30,000 unemployed persons who will need not only jobs, but skills training. I think that goes back to my concern about broadening the definition of infrastructure. The District of Columbia will probably need to have that definition to encompass the kinds of community revitalization that we talked about a little earlier.

Senator **Randolph**. Mr. Chairman, could I break in a moment?

Senator **Stafford**. Sure.

Senator **Randolph**. You are speaking of Washington as an urban area?

Ms. **Whaley**. Right.

Senator **Randolph**. What would be the unemployment in the Washington area?

Ms. **Whaley**. Specifically, one of our concerns is around the youth unemployment.

Senator **Randolph**. I am talking about the figure of unemployment in the area that you represent.

Ms. **Whaley**. About 10 percent, about 10.4.

Senator **Randolph**. Pardon?

Ms. **Whaley**. About 10.4 is the unemployment rate.

Senator **Randolph**. I just wanted to establish it for the record. It is certainly high, and it's high throughout the country.

But I simply wanted to be able to contrast that alongside certain of our States, not to diminish what you are saying, but only to place in perspective the unemployment of areas throughout the country.

Ms. **Whaley**. Yes. And I would have to make sure that that figure is accurate. Anyway, I will get back to you shortly. I was focusing on youth unemployment, and I know that it is 7.4, and when we look at black unemployment in relationship to that, we are talking about 41 percent in this metropolitan area. And that is why we are particularly concerned about S. 724.

In the interests of time, I am going to summarize and get specifically to our recommendations.

We generally believe that in any jobs program, that we must move away from the simply labor sensitive programs that are almost exclusively skills oriented. We feel that the training effort must take into account not only the unskilled jobs sector, but the growing pool of untrained persons that need to reenter the labor force. In this particular area, the retraining is particularly acute. Our specific recommendations are, first, that title I be amended to require States to utilize local private industry councils as an umbrella for community based organizations engaged in and demonstrating the ability to conduct meaningful skills training programs.

We believe very strongly that every jobs program should have a component of skills training and that skills training need not be related to the particular job being carried out, that there ought to be meaningful labor market analysis and ways developed to provide skills training in concert with the job being undertaken.

We believe that the training should become the linchpin in title V and that emerging career areas be broadened to include the training effort; and finally, as I indicated, the definition of infrastructure as it appears in title V be broadened to allow for the fund to revitalize depressed neighborhoods. This would allow the inclusion of public housing projects, community shopping areas and recreation facilities.

Thank you.

Senator STAFFORD. Thank you very much, indeed.

I note from your written statement and that of Mr. Sommers, who will be next, that both of you could qualify as speakers in northern New England where we believe in short speeches and support papers, and yours are commendably brief and to the point in both cases.

Mr. Sommers, we would be glad to hear from you.

## STATEMENT OF ALBERT T. SOMMERS, SENIOR VICE PRESIDENT AND CHIEF ECONOMIST, THE CONFERENCE BOARD, CITY OF NEW YORK

Mr. SOMMERS. Thank you, Mr. Chairman.

I am happy to have the opportunity to offer you the views of a generalist as those distinguished from the distinguished officers of State and local government that we heard from earlier and from the institution that is dedicated primarily and so effectively to the labor market.

I will summarize my already very brief paper and take very little of your time, but I am at your service for discussion on these points as you wish.

I am in total, unqualified, uncomplicated agreement with the objectives that appear in several bills before the committee. It is worth taking just a moment to expand on the reasons why I am so emphatic about the agreement.

First of all, it is always argued, and quite correctly, that our productivity as a nation and our efficiency as a nation rests on infrastructure of public facilities and that the quality of those facilities is a limiting factor and the opportunities or productivity in the private sector. That hardly needs much elaboration.

Second, it is always argued, and again quite correctly, that our public facilities have an extraordinarily large bearing on the quality of life in the United States, and I don't doubt that, either.

There are arguments less frequently made but, I believe, probably in the end really far more important, first, this society gives a sense of utter lack of coherence when it allows a huge, demonstrable need to coexist with enormous unemployment of the resources required to meet the need. Pursuant to that, I suspect that that sense of incoherence erodes respect for the system as a whole.

It is very difficult to maintain respect for an identification with a system that is in such an obvious state of decay. I think it leads to social ennui.

I think the issue we are confronting is probably as important in the growth of the underground economy as any other much more identifiable measurable measure this system may be. It may be that one of the reasons for the growth in the underground economy is that it is very hard to maintain respect for, above ground, a public economy that nobody seems to really take an interest in or care about, and that condition would suggest to me a kind of impotent Government that is hardly deserving of support.

In any event, to move more practically to the materials in the bills, I agree on the National Commission described in S. 23. I think it is superior to the Infrastructure Council described in 532, most particularly, I suppose, because the National Commission proposal envisages considerable membership by public members, including the chair. So one or the other, but a Commission with substantial public membership, I think, is very desirable.

Second, I agree, for reasons that will be clearer in a few moments, with the instructions to the Comptroller General. I think this is S. 23—but I don't have it in front of me—to make further passes at efforts to distinguish capital investment in the Federal budget and to study the usefulness of capital budgeting. I think the mayor mentioned this, and I support that, and I will elaborate on it a bit.

I agree with the stablishment of State infrastructure banks, presumably with a national counterpart, a sort of Federal Reserve System directed quite specifically at the infrastructure problem, and I agree with the principle of matching grants which I also agree to the 50-50—and I can't pretend expertise in this area—but 50-50 is far higher a State and local share than prevails in most other such programs.

Turning attention now to S. 724 and the variety of titles, I have no objection whatsoever to title No. 1, which is the principal, and by far, the largest amount, and also the most general. I have less convictions about titles II and III, mainly because of the short-term focus of II and the cyclical focus of III, I think are more narrowly distractions from the very large job that lies ahead.

With respect to titles IV and V, both V(A) and 5(B), which are more nearly job related than they are infrastructure related, I favor jobs programs, including training efforts that you placed on them, Miss Whaley.

They are included in this bill, that doesn't bother me, although I think we—the objectives really have to be infrastructure first and foremost.

And my reasons for saying that are this: We are going to need, for infrastructure purposes, over the next 10 years, amounts far larger than appearing, and all these bills, even if we left in the duplication and left out the rough—I did a rapid calculation on the basis of the figures supplied to us by our executive from Broome County—and if Broome County is typical, and it is probably no worse than typical, having IBM in it, we are talking about $2.5 trillion, give or take, let us say, $300 billion for arithmetical error. But the margin of error I am offering you is a lot more money involved than the amount in these bills.

So I would vote loud and clear and uncomplicatedly as possible for a very, very rapid buildup of a fundamental, permanent program.

I am fearful of cyclical additions to—countercyclical additions to the program, because the reason we are in the condition we are in today is that public works was treated as a cyclical toy, as a tool to be used under conditions of business cycle recession to be rapidly abandoned the moment it looked as though recovery was on the way, because the overriding fear has been that those programs would continue under the recovery and overstress the system and generate attention and, ultimately, inflation.

The fact is, I think, the real demonstrable needs are far greater than, understandably, than we can hope to confront, perhaps, at any one time. But the fastest way of getting at them I would take to be the most general approach to those State infrastructure banks. Loading the bills with efforts to assure particular distributions of the spending, and particular impacts on particular segments of the labor force, whether regionally or by age or by race if they hinder the rapid buildup, I think they are disadvantaged.

The fact is that very sharply accelerating public expenditures on infrastructure will provide an enormous stimulus to this system. It is an investment type outlay, carries a very heavy multiplier. I think Senator Randolph commented on the fact that you get a bonus. We can elaborate on that if you wish.

The amounts of money ultimately involved are such that they cannot escape a Federal budgetary focus. That is, fiscal policy is going to have to accommodate for the existence of these immense needs. For that reason, I don't think that this program or anything like it is going to reach the required dimensions without a substantial reexamination of the way we do budgeting in the United States, and the absence of asset accounting in the Federal Government is a serious disadvantage to your efforts.

The absence of capital budgeting or an accounting shield over just the kind of outlays that we are going to need so much more of is also a serious disadvantage.

The funding of the level of outlay that I would envision we are going to need 3 or 4 years out, I suspect, is going to require reexamination of our tax structure, as well. Here, I have some further thin thoughts for you, and I will close with this: The U.S. system is extraordinarily consumption oriented as distinguished from investment oriented. By investment here, I mean both private and public.

As we meet here today, consumption is taking more of our GNP than at any time in our history. Now, this is partly a reflection of deep recession, because consumption does not subside as fast as investment in the course of a recession, but we are far higher now in the consumption percentage than we have ever been in recessions before.

I suspect that at some point, to get the revenues required for infrastructure investment without damaging the future of private investment, which is also important, we are going to have to come to grips with the consumption bias in the U.S. system. I suspect this is about as unpopular a proposal as anyone can make, that somewhere up ahead, we are going to require a personal income surtax in order to finance the growth that we are looking for in this area, and to do it without seriously impeding the recovery of private investment.

I will stop at that point, although I stopped on such a rotten proposal, that I would just add that I have a nephew who teaches economics at Middlesbury.

Senator **Stafford**. I knew I had a reason to listen to you very carefully.

I would be glad to yield, Senator.

Senator **Randolph**. Did you say you were an economist?

Mr. **Sommers**. Yes, sir.

Senator **Randolph**. This is not me speaking, but I read recently that an economist was a person who was seldom right but never in doubt.

Mr. **Sommers**. I think that was on the national scale, and you might as well put it in.

Senator **Stafford**. That was attributable to Norris Cotton, anyway, who comes from New Hampshire and is sometimes jealous of we who have an association with Vermont and West Virginia.

Mr. **Sommers**. We also say economists resembling others in that they never cure anybody but they travel first class.

Senator **Randolph**. Mr. Chairman, I think the two witnesses have been very helpful, and I will read the testimony very carefully.

Senator **Stafford**. Thank you.

I would say to both witnesses that if you are agreeable, we would, again, like to reserve to the full committee members the right to ask questions in writing which saves some time for you and for us and avoids our taking you by surprise.

But let me ask this question, Mr. Sommers. What is your view on the need for an assured funding mechanism, possibly through dedicated revenues for title I and title V of S. 721? That is the one that Senator Randolph and I have jointly cosponsored.

Mr. **Sommers**. I think our county executive put it very well when he said that—to amplify on what he said, these are programs that take a long time to complete, and particularly, if we are spending to build up the rate of outlay in this area, and assure the rise and flow of funds is absolutely critical. I have no—my only question about title I of 724 is whether it shouldn't have a rapid buildup to a higher level, perhaps subsidizing to a maintenance level thereafter but, really, to get the show on the road quickly.

I would prefer that to the countercyclical effort that is in title III, I guess, of the bill, I am not really opposed to it, it's just that my past experience—the reason we are in the fix we're in is that public works has been treated under that kind of rubric for so long.

I think if we are going to make the Congress as we require, we are going to need permanent funding, probably rising rapidly, hopefully in a relatively short period of time. Because we do have an immense amount of resources, not only of labor, but of the machinery producing companies that provide all the capital equipment for them.

Senator STAFFORD. Thank you very much.

Ms. Whaley, you suggest that title V should be broadened to allow funds to be spent to revitalize depressed neighborhoods. I certainly think that indirectly, at least, the title permits that.

Ms. WHALEY. It does.

Senator STAFFORD. Could you tell us some more of how you would manage such a program?

Ms. WHALEY. The title does permit that. I just felt that it ought to be stated specifically so that community based organizations could take advantage of that kind of opportunity to provide work and training experiences.

So as you look at our depressed neighborhoods and recognize that we have all the problems as it relates to sewers and potholes and roads and so forth, that unless you build in the additional kinds of redevelopment that, it seems to me, that we are spending money and it is going down the drain, almost figuratively. We feel that things, areas such as housing rehabilitation, that we would begin to provide the specific changes to address those kinds of skills.

But as I said earlier, it is very significant that, in particular, for youngsters who are employed on jobs that is simply work experience, their perception is that they are work experience only and that they know they're not leading anywhere, so that if we move people into specific jobs and then develop training—address their long-term employment; for example, if we have a youngster who was working in a lower level job helping us to do some basic renovation of a house in the community, we would also do the appropriate testing and counseling to see if that person could move into the word processing training center so that a portion of his time may be spent on the job and a portion of his time spent in the skills training that prepares him for long-range employment.

That is the kind of approach we would take as a community organization.

Second, we do feel it is important that the private industry councils be tapped since they now have the experience of providing training related to jobs. So often we have developed piecemeal approaches to problem solving, and we simply forget every time we develop a new piece of legislation that we already have other kinds of activities in place and that we should really tap into them.

Senator STAFFORD. Thank you very much, Ms. Whaley.

Senator Burdick, we are very happy you are here, and you have been an expert in economic development ever since I have been a member of this committee.

Senator BURDICK. Thank you, Mr. Chairman. That is a little extravagant, but thank you.

There is one phase in your testimony I don't quite understand. You suggested at the close of your testimony that you favor the surtax on individual income. What is your position on the third year tax cut?

Mr. SOMMERS. Interesting question, Senator. The third year tax cut costs 6 years of title I of 724. That puts it in hyperbole in a way, because I suppose you could argue that given the depth of the recession and the apparent fact that retail trade in the automobile market, for example, haven't taken off all that vigorously are in no danger of experiencing inflation as a result of that tax cut; that we ought to allow ourselves the tax cut; that the recovery needs it, and that in any event, that acceleration of public works that comes out of the efforts of this committee can't be expected, really, to be on stream before a year, anyway.

I don't know. I have—I confess to a reluctance about the July 1 tax reduction. But it is bearing on the issue that you are looking at. It is probably better reflected in the immense existing size of the deficit that we confront and the difficulties that any program, including a public works program, is going to encounter trying to get itself into a budget in the presence of an ongoing deficit of $200 billion. There are many other things that could be done about that deficit. I'm not advocating these but just listing them.

The defense curtailment, for example, the progress has been made on curtailing the social security deficit, which is part of the $200 billion. I suppose those are all for the good, but somewhere up ahead, we are going to have to reconcile ourselves to a number of things. First, we can't go on, we can't detax ourselves beyond a certain point.

Modern social systems won't take that.

Second, we have got to have the infrastructure outlay for all of a variety of reasons I listed, and third, we need a new way of budgeting that will make it clear that the debt incurrence of this system is for investment, just like AT&T's debt incurrence is for investment.

We should make it clear that we don't intend to finance current outlay of government through debt, but that we are willing to have the Federal Government have a call on national savings as long as it uses the proceeds for reinvestment in the system. Now, that is a long answer to a simple question, how do I feel about the July 1, 1983 tax cut. I will tell you how I feel in a word: If it were not on the books today, I don't think any of us would be recommending it. It's a vestige of a legislative program that set out legislative changes far in advance, I would say, far in advance, and I hope we don't, again, try to legislate taxes that far in advance.

Senator BURDICK. You understand my concern is that we take off the tax and then you put on a surtax following it. It seems to me that is inconsistent.

Mr. SOMMERS. Well, I agree with you. The situation we are starting from makes inconsistency very easy to achieve. I could see a personal tax cut up ahead accompanied by a revision of the personal tax structure incorporating either a national sales tax, a value added tax, or, even more ponderously, a shift toward a consumption based tax that would exclude savings from taxation.

I am sure, though, they are very, very live subjects, but they are not about to be legislated within the next 6 months or 1 year.

We are simply out of bounds here, Senator. We are spending far too little on public outlay of the type this committee is dealing with on the one hand and too much on too large a share of the system on general consumption outlay.

Senator BURDICK. Thank you, Mr. Chairman.

Senator STAFFORD. Senator Burdick, you have inspired an inquiry on my part that I hadn't intended to make, but your question brought out some things that are interesting to me.

One is the observation that if there is an inconsistency, it seems to me at times, on the one hand, proposing some new taxes, and, on the other hand, passing up the opportunity not to have to worry about them by foregoing the third round in the so-called tax cut.

Four other Senators and I proposed last Friday that we pass up the third round of the tax reductions, that we pass up indexing taxation in 1985, that we make some adjustments which the Budget Committee has already agreed to in defense spending and that, over all, over the next 4 years, that would reduce our deficit by $209 billion, approximately, which seemed to us to be a sensible proposal to make at this point in time.

I won't ask you for your reaction to that, but I did notice yesterday the opinion of some prominent economists—and I wish I could remember who it was—or some study by economists which said that the impact of oil price reductions would have twice the stimulative effect on the American economy of the tax reductions we had had and will have. I wondered if, very briefly, you could give us your reaction to that?

Mr. SOMMERS. I think the direction indicated by that statement is right, but I am not sure that the effect is that big.

The present deficit of $200 billion is composed, right now, of about what might—of as much as $125 billion in that deficit reflects the very low operating level of the system and the very low incomes, both corporate and personal, that are subject to taxation.

If the budget were to stay in that condition; that is, $50 billion structural, unreparable and $125 billion or so simply reflecting our underemployment, I wouldn't suggest that we cancel any of the present state of taxing.

Unfortunately, including the indexation of the tax brackets and including the July 1 tax reduction, while this—even if we grow rapidly, so that that $125 billion shortfall attributable to underutilization were to shrink, the structural part, what is now $50, will grow to $150 and more over several years.

So in that sense, the U.S. Federal budget is disequilibrated, to use an economist's fine word, and some of that problem has to be resolved.

I don't think all of it—in fact, I'm—there is a strain or breed of economists who would argue now—and I am one of them—that a Federal budget deficit of as much as $70 or $80 billion is tolerable and even, conceivably, desirable.

The trouble is that if the $70 and $80 billion is not used to build and maintain our infrastructure, if it's not being invested, that is not good.

I think 3 or 4 years from now we would be in pretty good shape if we had an $80 billion deficit, and if we had a capital budget that made it clear to us all that that call on the Nation's capital was being used to reinvest in the system and not dissipated in current outlay.

Senator **Stafford**. Thank you very much, Mr. Sommers.

We want to express our appreciation to both you and Ms. Whaley for joining us this morning and helping us in our deliberations.

We will be sending you some questions in writing for your response at your early convenience, if that is agreeable.

Ms. **Whaley**. Thank you, Mr. Chairman. For the record, I must say that in expert consultation from my colleague, the unemployment rate in the Washington area is 11.1 percent.

Senator **Stafford**. All right. Thank you.

Ms. **Whaley**. Thank you.

Senator **Stafford**. Thank you both.

We now have a panel of five people representing three assocations.

The panel will consist of Mr. Richard S. Pepper, Associated General Contractors, chairman of the board, Pepper Construction Co., Washington, D.C.; Douglas Pitcock, Associated General Contractors, president, Williams Bros. Construction Co., Washington, D.C.; Mr. Richard W. Sprinkel, chairman of the board of directors, National Asphalt Pavement Assn., Riverdale, Md.; and Mr. William Burgett, president, and Leon Asadoorian—I had not heard of the name—chairman of Government Relations Committee, National Utility Contractors Assn., Arlington, Va.

Gentlemen, we welcome you here.

We will go in the order in which we have named you, if that is agreeable, so Messrs. Pepper, Pitcock, Sprinkel, Burgett, and Asadoorian.

If one of you is speaking for the association rather than both of you, that would be fine. We would ask you to summarize as much as you can because the committee is beginning to run over into the noon hour.

Your presence here is valued by the committee, we won't try to cut anybody off, and the chairman is going to stay as long as is necessary to get the job done.

Let us start with Mr. Pepper.

## STATEMENT OF RICHARD S. PEPPER, PRESIDENT, ASSOCIATED GENERAL CONTRACTORS OF AMERICA, ACCOMPANIED BY DOUG PITCOCK, SENIOR VICE PRESIDENT

Mr. **Pepper**. Thank you, Mr. Chairman.

On behalf of the Associated General Contractors of America, we want to thank you for having the opportunity to present our testimony on the Public Investment Jobs Act of 1983.

As you mentioned, my name is Richard Pepper. I am the president of Pepper Construction Co. from Chicago. I am the current president of the Associated General Contractors of America. I have with me here today Doug Pitcock, who is president of Williams Bros. Construction Co., of Houston, Tex., and senior vice president of AGC.

The Associated General Contractors of America and its 112 chapters nationwide is comprised of approximately 32,000 firms including 8,500 of the Nation's leading general contracting companies that perform more than $100 billion of construction annually, our member firms normally employ some 3,400,000-plus workers, a signficant portion of our national labor pool.

We most appreciate the opportunity to testify before this committee on proposals to improve this Nation's infrastructure and to develop new long-term job opportunities.

Our industry, more so than any other single industry, knows only too well the unemployment problems that burden our Nation: 1.2 million construction workers are presently unemployed.

This represents almost 25 percent of the work force of the Nation's largest industry. Construction currently accounts for some $230 billion of our gross national product, directly employing 3.8 million people and indirectly employing an additional 16 million people in construction supply industries such as cement, glass and steel, insurance, architecture and engineering.

However, unlike the recent past, when construction accounted for 10 percent of the gross national product, today's level represents less than 7½ percent of the gross national product and a sharp drop in the number of people that work on construction sites.

With the passage of last year's Surface Transportation Assistance Act, Congress recognized a very important need: The restoration of our Nation's deteriorating highways and bridges. Through that recognition, Congress also provided an estimated 63,000 jobs for every billion dollars spent on the highway program. Increased expenditures in the highway program will result in increased productive employment of 13,100 onsite, 13,200 offsite and 36,700 "induced" employees per billion dollars of construction.

The decaying nature of our highways and bridges, however, is only a part of the story. What we as a nation must be concerned about is the basic fiber of our framework, the Nation's infrastructure.

AGC believes that a great opportunity exists to address our Nation's unemployment ills without the necessity of creating any new employment programs while at the same time addressing another of our Nation's ills, the poor condition of our Nation's infrastructure. That opportunity exists in using established Federal, State, and local public works programs to reverse the deterioration of our Nation's infrastructure and to provide productive employment in the process.

Since March 1982, the Associated General Contractors of America has been alerting the public to the steady deterioration of infrastructure in the United States. AGC believes an infrastructure repair program needs to be undertaken because it is urgenly needed. An infrastructure program will not only revitalize the Nation's economy but have the ability to directly reemploy or employ many of the Nation's jobless in a timely and efficient and constructive manner.

In November 1982, the Associated General Contractors of America issued a major report to the Nation entitled "Our Fractured Framework: Why American Must Rebuild" which was also submitted to Congress.

The study analyzed the infrastructure crisis facing our Nation and reported on documented infrastructure needs of $910 billion.

As complete as the study was, it was also lacking in two major areas: First, the $910 billion in documented needs was almost exclusively just Federal and federally assisted infrastructure needs. Second, while the report raised many questions, it provided few suggestions. A special AGC infrastructure task force was created to supplement the original report. Although this report is not yet in final form, certain information is available.

With the chairman's permission, we would be most pleased to submit the final report to the committee upon its completion.

I would like to call on Doug Pitcock, who is our senior vice president, since he is chairman of the task force, to continue with our testimony.

Senator STAFFORD. We would be glad to hear from him. First, let me say that the committee will be delighted to get the report whenever it is available. We are greatful for it.

## STATEMENT OF DOUG PITCOCK

Mr. PITCOCK. Thank you.

Senator Stafford, in the task force, AGC surveyed existing literature and virtually all known major studies on infrastructure needs. In addition to that, we contacted directly over 100 organizations, States and cities in an effort to develop a documented estimate of necessary investment to meet the presently identified infrastructure needs. The new AGC research reveals a necessary minimum capital investment of approximately $3.03 trillion, most of which is needed over the next 19 years.

Public works investments at all levels of government generally account for about 24 percent of all construction put in place, or approximately $56 billion based on the 1982 value of construction put into place.

Continuation of such public works investment levels would produce over the next 19 years, a total investment of $1.06 trillion compared to the minimum necessary investment level of $3.03 trillion. The bottom line of our study is that we have shortfall in investment for public works construction of $1.97 trillion over 19 years, which works out to a shortfall of about $1.04 billion per year.

This ties in closely with Mr. Summers' testimony in talking about an $80 billion per year need

A review of the study to date reveals the diversity and complexity of funding needs. We also found that there is no single answer, no single investment strategy, no single funding mechanism that will answer the problem. Only through a variety of mechanisms at all levels of government can progress be made. The fact is that public works investments must be dramatically increased at all levels of government.

AGC makes the following general recommendations regarding future funding:

One, where a Federal presence in infrastructure funding; both direct and federally assisted, is justified, such Federal funding must be adequate.

Two, all levels of government must realine funding priorities. The infrastructure crisis is of such magnitude, in our judgment, and so integral to economic revitalization, economic growth and employment, that it must take precedence over social spending.

Three, the key element in infrastructure funding must be dedicated long-term funding mechanisms for all infrastructure categories. The funding must be dedicated to avoid the shifting of capital investment spending priorities as occurred during the past 20 years.

The funding must be long term in order to provide stability in the infrastructure effort.

Four, to maximize efficiency and economy in the expenditure of infrastructure funds and to provide productive private sector employment, infrastructure construction must be accomplished by the private sector through the single contract method and open competitive bidding process.

Five, user fee funding mechanisms and enterprise authorities should be used to the maximum extent.

Six, capital budgeting should be implemented by all levels of government as a means to assure increased investment in infrastructure.

Seven, State infrastructure banks should be established with initial capitalization from both the Federal Government and the States, provided that the creation of such banks will result in a net increase in infrastructure investment.

We are pleased to see that Senate bills 23, 532, and 724 address most of these recommendations. AGC supports both 532 and 724, and because of similarities between 532 and title I of 724, believes that Senate bill 724 is a more complete vehicle for addressing this Nation's infrastructure crisis.

We urge, however, that both bills be amended as follows:

To assure maximum efficiency and economy in the expenditure of infrastructure funding, and to assure protective private sector employment, we recommend that infrastructure construction be accomplished by contracting out to the private sector rather than by direct employment by government agencies.

Increasingly large amounts of tax dollars are spent on construction of public works by government employees at all levels of government. Under this trend, which is commonly called "force account" construction, the public does not receive full value for its tax dollars.

Studies have shown that it costs significantly more in real dollars for the government to complete work with its own equipment and personnel than it does to contract out to private contractors.

Although we support the major thrust of 532 and 724, we do have some concerns with title V.

We do not take exception with the objective of title V, which is to provide employment for youth. However, the methods of implementation and assumption inherent in the legislative proposals appear to be somewhat flawed, in our opinion.

For example, the program implementation under either part A or part B of title V is through a new procedure which will undoubtedly take months to initiate. To the extent that any of the provisions are designed to provide youth summer employment, it will be the summer of 1984 in many instances before the youth unemployment roles are reduced.

A thrust of title V, aside from removing youth from the ranks of the unemployed, is to provide some degree of training. Yet the short length of projects contemplated and unidentifiable nature of training programs to provide increased skill level leaves room for concern by others.

In this regard, the construction industry has a history of training its own work force. For example, AGC and its chapters participate in over 2,400 on line training programs. The resources and facilities which will provide long term employment opportunities for our Nation's youth are available. All that is needed to insure that these resources function is a concentrated effort on meeting the needs of the infrastructure as far as funding.

AGÇ encourages Congress to consider the problem of youth unemployment in a manner consistent with our previous comments. Congress should provide the private sector with the opportunity to do what we have historically accomplished: A long-term constructive career path for our Nation's youth.

AGC believes that a great opportunity exists to address our Nation's unemployment ills without the necessity of creating a new employment program while, at the same time, addressing another national ill, probably our major national ill; the deteriorating condition of our infrastructure. That opportunity exists when you use established Federal, State, and local public works programs to reduce the deterioration of our infrastructure, to lead the county out of economic recession and to provide productive employment in the process.

The vehicles, methods and procedures of public construction programs entailing competively bid contract construction to the private sector are already in place.

They only need adequate funding to be employment effective. Construction is the engine that drives the rest of our economy.

When the infrastructure needs are adequately funded, and which the government at all levels must provide or risk the total disintegration of our public facilities, the construction industry can and will lead America to real economic recovery.

Thank you, Mr. Chairman.

Senator **Stafford**. Thank you, very much.

Next, the committee would be very pleased to hear from Mr. Richard Sprinkel, chairman of the board of directors, National Asphalt Pavement Association of Riverdale, Md.

Mr. Sprinkel, did I pronounce that correctly?

Mr. **Sprinkel**. That is correct.

Senator **Stafford**. All right.

We would be glad to hear from you.

## STATEMENT OF RICHARD W. SPRINKEL, CHAIRMAN OF THE BOARD, NATIONAL ASPHALT PAVEMENT ASSOCIATION

Mr. **Sprinkel**. Thank you, Mr. Chairman.

I do appreciate the opportunity to be here this morning and to participate in this process of presenting our testimony.

I am Richard W. Sprinkel, president of the Vernon Paving Co., in Los Angeles, Calif., and I am the 1983 chairman of the board of the National Asphalt Pavement Association. We are known to our membership as NAPA.

NAPA is an association of 800 companies from America's asphalt paving industry. We are primarily asphalt plant owners, and as an industry, we are proud of the part that we have played in the development of America's public works, especially our country's incomparable surface transportation network.

NAPA has a policy of considering America first, the industry second, and the association third in all of its deliberations. NAPA members are especially sensitive to the need for adequate and timely funding, for roads in particular and public works in general.

It is in that regard that I would like to limit my remarks today, Mr. Chairman, and I request permission to submit a more comprehensive statement for the record.

Senator STAFFORD. Without objection, so ordered.

Mr. SPRINKEL. Thank you.

On behalf of the industry, allow me to congratulate the committee for its efforts in passing the 1982 Surface Transportation Assistance Act. That portion of the bill that focuses on the maintenance and repair of highways and bridges will be an important investment by highway users, an investment that will be made none too soon. That same comment may be offered in relation to the national attention currently being given to infrastructure funding. It is none too soon.

The experience of the highway industry during the past quarter century allows me to suggest that there are two very important considerations that we see in designing a nationwide infrastructure program: the absolute need for stable and reliable funding; and providing for the individual States the right to choose what programs and projects to pursue.

I would like to address these points separately.

Public works funding in America has been erratic in spite of the best efforts of advocates in Congress. Our attention has routinely been distracted to causes which seemed closer to the voters.

The Nation's resources have repeatedly been directed by the winds of popularity. As a result, public works priorities have most often been set by crisis. While we are not at a crisis point today, we are not far away in many respects.

Stable and reliable funding for public works is important to the construction industry primarily because of the extensive and expensive investment required for plants, equipment and machinery and for the training of employees. We must be forewarned if those investments are to be made efficiently and economically.

State and local program authorities appear to us even more sensitive to the flow of funds. Inasmuch as Federal programs have served as the leader in public works programs, even short-range planning becomes risky for officials of State and local government when Federal intentions are not absolutely clear. When the winds that move Washington shift too often, State and local public works programs come to a standstill. As an example, let me recall the freeze on Federal spending that occurred in 1973 and again in 1980. The impact on road programs was immediate, as it was intended, but the uncertainty created in the minds of highway departments by each freeze carried over into the next season. A total of 4 years' work was hampered; construction was postponed and maintenance delayed.

We believe it is in America's best interest to have public works programs funded through an institution that is insulated, as much as possible, from financial and political instability. Furthermore, public works funding should be given a relative measure of security in order that a proper allocation of resources can become the rule rather than the exception.

While the Federal Government has greater advantage in capturing the resources of the money markets, we believe the States have the advantage in deciding the most relevant design for a public works program and the priorities that should be given to specific projects. It is especially important that the States no longer be forced to fit their needs to the outlines of the categorical grant programs designed by Congress and a Federal agency. The Governors of the 50 States should maintain that control exclusively.

We would have the Federal Government concentrate on two immediate goals: First, a comprehensive inventory of infrastructure needs should be coordinated by a Federal agency and a report returned to the American taxpayers and the Congress as quickly as is practical. We see an absolute need for a detailed compilation of the job ahead of us and that it be done without any intimation of bias or predisposition. Second, we would suggest that the administration be required to submit the Federal budget in a form that would allow us to see the proposed capital expenditures of the Federal Government contained in one category.

In addition to facilitating the ability of the taxpayers and their representatives in Congress to set priorities, the inventory of public works and a capital budget will serve as a positive example, encouraging similar efforts by State and local governments.

With the information in hand from the inventory and the capital budget, we recommend that the Federal Government take action that would be a significant departure from traditional Federal involvement.

Mr. Chairman, we see the Federal Government best suited not as an employer of last resort, nor as the provider for every need, but as a coordinator for solutions that are devised at the State and regional level.

Most significantly, we see the Federal responsibility focused more than ever on maintaining a healthy national economy. Reducing the Federal deficit, cutting back Federal involvement in our lives and holding the line on taxes should be the first priority.

We would suggest that the Federal Government organize a public works bank that is independent of all other Federal agencies and be organized on a regional basis.

A board of directors would be appointed by the President and confirmed by the Senate. It would be capitalized by the Federal Government and the State governments that choose to participate. Additional funds could be obtained through the sales of bonds that have the full faith and credit backing of the Federal Government. Any State or local project which specifically guaranteed to repay loans from the bank would be eligible if it is approved by the Governor of a participating State.

Parenthetically, we would have all categories of public works eligible for these loans, including road and highway projects. While Federal and highway programs, as we know them today, may need to continue, we believe the States should have the latitude to consider other funding sources, especially in those categories like the urban program that have not been sufficiently funded.

Mr. Chairman, we think the infrastructure challenge in America is so great, so massive, that we must discard the convenience of the old remedies. Since the cumulative call on the resources of American taxpayers has reached an upper limit, we must look to new ideas. Therefore, we respectfully urge the committee to seriously consider these proposals: a public works inventory; a capital budget; and an independent public works bank.

Mr. Chairman and members of the committee, the members of the National Asphalt Pavement Association stand ready to assist you in your efforts.

Thank you.

Senator STAFFORD. Thank you very much, Mr. Sprinkel. That brings us to the last two witnesses on the panel; Mr. Burgett and Mr. Asadoorian. One of you is president and the other chairman of the Government Relations Committee of the National Utilities Contractors Association. I do not know what the precedence is in your group, so I will defer to you gentlemen to see who will be the spokesman or whether you are both spokesmen.

## STATEMENTS OF WILLIAM BURGETT, PRESIDENT, NATIONAL UTILITY CONTRACTORS ASSOCIATION AND LEON ASADOORIAN, CHAIRMAN, GOVERNMENT RELATIONS COMMITTEE

Mr. BURGETT. Mr. Chairman and members of the committee, I am William Burgett, president of the Kokosing Construction Co., located in Fredericktown, Ohio. I am also serving as 1983 president of the National Utility Contractors Association, or NUCA.

Our association comprises 2,200 companies nationwide. Though many of our members participate in all phases of the construction industry, we specialize in water delivery and wastewater treatment construction projects, particularly underground pipelines.

We are confident we have an indepth knowledge of the conditions of our Nation's water related infrastructure which is literally falling apart due to age and neglect. Permit me to introduce Leon Asadoorian, president of the Methuen Construction Co., in Massachusetts and chairman of our association's Government Relations Committee to present our testimony on the legislation under consideration.

Senator STAFFORD. Thank you. Mr. Asadoorian. I apologize for the various efforts I have made to pronounce your name correctly.

Mr. ASADOORIAN. Thank you, Mr. Chairman, and thank you Bill and members of this committee for this opportunity. I would like to say at the outset that our association wholeheartedly supports each of the proposals that are now before you. Due to time restrictions, however, I will go immediately to that portion of my testimony dealing specifically with the legislation before us. Our full testimony has been submitted to you in writing for your consideration.

In considering legislation designed to deal with the rehabilitation of our country's decaying infrastructure, NUCA strongly feels Congress should tie those proposals to legislation to help create jobs. In 1982, the unemployment rate within the construction industry averaged 21 percent. Admittedly, the bills under consideration are not entirely jobs bills, but by way of example, studies indicate that roughly 50,000 jobs are generated for every $1 billion spent on waste water treatment construction. It is important to keep in mind that this money is not spent on short term public service jobs, but on skilled, construction trades that produce permanent public improvements.

In that regard, one recommendation NUCA feels should be added to both Senate bill 724 and Senator Domenici's proposal is a provision requiring the contracting out of the money authorized under this legislation. For example, the suggested amendment might read, "all contracts funded in whole or in part by funding authorized by this act shall be awarded on the basis of competitive bidding."

The members of our association, as are members of the AGC, who previously testified, and the engineering community, are becoming increasingly concerned over the use of Federal construction money as force account projects. Many municipalities are using Federal grant money to finance their local public works departments in order to construct infrastructure projects, resulting in the American taxpayer being shortchanged.

We maintain, and many industries have proven that, work is completed faster, more cheaply and of better quality when it is contracted out through the competitive bidding process.

Our association has studied a number of alternative financing proposals and concluded that the most effective new mechanism in dealing with this massive task would be a federally financed infrastructure bank in combination with other Federal programs already in place.

An example of this proposal is included in both bill 532 and 723. A change we strongly recommend is to strike the provision permitting states to use EPA construction grants money for wastewater treatment construction loans. It is our position that this program is responsible for the progress this Nation has achieved in revitalizing its waters. We envision a State loan program such as an infrastructure bank as a funding source available to municipalities to finance their matching share for Federal public works programs. The $50 billion funding level authorized in Senate bill 724 would obviously provide adequate funding for State banks, but the association feels a significant portion of that financing would simply go unused due to the 50-percent matching share required of States.

NUCA favors a formula similar to that contained in Senator Domenici's Senate bill 532 authorizing 100 percent Federal financing through the State banks.

Because we feel $10 billion authorized in that bill is too little to deal effectively with the entire infrastructure problem, we advocate a combination of your bill, Senator Stafford, and Senator Domenici's measure: 90 percent Federal financing for State banks at a funding level in the $20 to $30 billion range over a 10-year period. Another recommendation we would like to offer you, in order to provide adequate incentives for local governments to actively utilize the infrastructure bank, is to provide those loans at rates not to exceed 2 percentage points below current market rates. This is being offered in place of section 204 of the Domenici bill wherein the rate may be offered at or below market rates.

NUCA enthusiastically endorses the section in your bill requiring that projects constructed under this program be maintained on a scheduled basis, utilizing moneys other than those available under the legislation.

We feel this provision will encourage greater use of realistic user fee systems in most areas. We encourage the inclusion of this provision in the Domenici bill, as well.

We also strongly endorse Senator Moynihan's Senate bill 23. One of the major problems inherent in financing the Nation's infrastructure public works programs is the fact that no one is certain of the number of public improvements necessary or the cost of those improvements.

Due to some opposition expressed by Members of Congress and the administration, we believe the Moynihan plan to develop the model unified budget is a beneficial compromise to this dilemma.

Mr. Chairman, members of the committee, again, we praise you for taking substantive action on our Nation's infrastructure crisis. The bills now before you are a positive step forward in meeting the challenges of this seemingly overwhelming task offers us.

In conclusion, to those who may be critical of the costs involved and their impact on the Federal budget, I offer this analysis for your consideration: a reduction in the Federal budget is dependent on sound economic growth, and economic expansion is dependent on a sound infrastructure.

We thank you for your time and your attention.

Senator STAFFORD. Thank you, sir. For the committee, I want to thank all the members of this panel who have been here this morning. Again, I will reserve, without objection, the right of the members of the committee who cannot be here and those who are here to submit questions to you in writing if that would be agreeable for early response.

I see heads nodding affirmatively, so we expect to do that if we feel it is necessary.

Your statements have been very helpful.

Senator Steve Symms is here, and he has been intimately connected with infrastructure work on this committee. So I would recognize him for questions.

Senator SYMMS. Thank you, Mr. Chairman. I will be very brief, and I want to join the chairman in thanking all of you that testified this morning on behalf of the committee to help us in our direction.

But one question I wanted to ask and I might direct it at you first, Doug, and then any of the others who wanted to answer. What do you attribute the deterioration of the infrastructure to, and how did these things happen that all of a sudden now we have an infrastructure problem? We did not hear much about it 3 or 4 years ago, and all of a sudden it is big, it is in Newsweek and Time magazine that a nation is deteriorating. How do things happen like this?

Mr. Pitcock. We think that is pretty well documented, Senator Symms. What actually happened is that historically, in this country, as President Pepper testified, we spent a little over 10 percent of our gross national product on construction. Many countries realize the significance of this as far as economic health goes. Japan, for example, spends 20 percent; Canada, 16 percent.

Somewhere in the guns and butter era, priorities changed. From 1965 until today, according to the America in ruins report that came out early last year, spending on public works has been reduced by 44 percent. It appears that when Federal, State, and local governments are in a budget crunch, the easiest things to cut are deferred capital maintenance, capital investment and infrastructure; things that do not have a big vocal advocacy group to demand support for on a continuing basis. This was finally recognized last year and the highway bill was the first major effort to address the problem. I want to, once again, commend you for it.

Senator Symms. Thank you. Do the rest of you generally agree to that, or does anyone have anything to add?

Mr. Asadoorian. In principle, we essentially agree with Doug's comments, and to further emphasize the repriortizing of needs that municipalities may have relative to their obligations, it has been quoted that if municipal officials have a choice between a fire station and sewer repair, the fire station would win out every time. It has a more popular constituency, in short.

Senator Symms. Yes.

I have one other question I would like to ask of each of you. if we start making a commitment to get back into the neighborhood of where we were spending, say, 10 percent of our GNP on construction, does the construction industry have the capability to actually handle the job? You have all testified here this morning in opposition to having bureaucracies go out and start these jobs but to put it out on a private contracting basis.

Do you believe that the construction industry can, in fact, do the building and answer the call if the country decides to make this commitment; because I think they should enter into construction. Mr. Pepper.

Mr. Pepper. Yes, Senator Symms. The construction industry is operating well under capacity. As I mentioned, we have 25 percent unemployment at the present time. That is an existing work force. We are—7½ percent of the gross national product. If, as historically has been the case, we basically accounted for 10 percent of gross national product, we would be in the $300 to $330 billion range in the construction industry. The capacity is there. If this program is enacted, we would be able to provide a viable and productive work force to benefit the health of this Nation, plus it would help to get us out of the economic problems here today.

Senator Symms. Mr. Sprinkel, do you want to answer that?

Mr. Sprinkel. Yes. I would like to comment with respect to productivity of the asphalt plants throughout the country. Years ago we used to think that if we were running 50 to 60 percent of our capability we were doing pretty well. In the last 2 or 3 years, we have been down to around 30 percent of our productive capability. I know in the two asphalt plants that we have, our opportunities have been way down. We have the capability. Every asphalt contractor is in the same condition that I am; we are ready, willing and able, and we have the facilities; we have the equipment; we have maintained it and kept up.

As I mentioned in my remarks, we need to have the timely license of this fund so that we can keep this equipment available. But as of right now, we are ready.

Senator **Symms**. You need it on a multiyear basis?

Mr. **Sprinkel**. Absolutely, otherwise our equipment deteriorates and then we are not ready. But as of right now, we can certainly handle it.

Senator **Symms**. How about the utility contractors?

Mr. **Burgett**. Very much the same way. Not since the sixties has the industry been able to put youth to work. Our apprenticeship programs have not had the funds available for programs to put these people to work. So many people went through the 4 years of apprenticeship and were not able to get work within the construction industry. The key objective of the construction industry is to put people to work. As I said, we all have this 4-year program to put them to work, but we have to have the financing to put these people to work. So the capacity is there.

Senator **Symms**. Thank you, Mr. Chairman.

Senator **Stafford**. Thank you, Senator Symms.

This morning driving to work this Senator happened to listen to one of the prominent radio teams who was proclaiming that the word infrastructure was a passé cliché and that the new word was "on a roll".

I would suggest to that radio team that the word infrastructure is very much before us and very much alive, and the only way we will be able to drop it as a cliché will be if we get on a roll on legislation somewhat like that we are discussing here this morning.

Senator Burdick.

Senator **Burdick**. Mr. Chairman.

Thank you, gentlemen. Mr. Sprinkel, I would like to ask you this question, because you have touched on it and I am interested in it. You gave a three-point program, one of which was to maintain an inventory. I would like to qualify that just a bit. What do you think about a needs inventory to spell out the greater priorities and so forth?

Mr. **Sprinkel**. Yes, Senator, I believe we are on the same wavelength there. Basically, what we are talking about is to establishing an inventory of needs so that we know exactly what has to be done and can then set the priorities. That is part of our concept of the inventory: to quantify where we are, what the total needs are, and then go about taking care of them.

Senator **Burdick**. To what degree should the Federal Government assign priorities?

Mr. **Sprinkel**. Should take a priority?

Senator **Burdick**. Assign.

Mr. **Sprinkel**. Assign. Well, it is part of our position that while we believe this inventory should start with the Federal Government, it also needs to be done at the State level. We think it goes back to the States' having the right to determine their own needs and their priorities; we have to work in concert. As I mentioned in my remarks, we believe the Federal highways programs and other such programs should continue, but we also believe the States should get more involved in setting their own priorities. I think some of the other testimony we had this morning indicated the same thing, that the State should decide that the bridge needs to be repaired or that a highway is to be resurfaced or whatever.

Senator **Burdick**. How do you feel that funding levels proposed in the legislation being considered here today stacks up against needs as you see them?

Mr. **Sprinkel**. Well, as I mentioned to these gentlemen from AGC, Mr. Pepper and Mr. Pitcock, the funding is far short; I think that the project is very large. I think the necessary funds are tremendous. When we start talking trillions of dollars, it is kind of mind-boggling. But I do believe that this is a step in the direction. That is really what it is; it is merely a step. It is just like our 5-cent-a-gallon gas tax. While it is a positive step forward, that will not get the job done. The total dollar need is much greater than what we are talking about here this morning.

Senator **Burdick**. That is the first step?

Mr. **Sprinkel**. Right. We have to take it.

Senator **Burdick**. Thank you, Mr. Chairman.

Senator **Stafford**. Thank you very much, Senator.

[The following letter was received from the National Utility Contractors Association:]

**NATIONAL UTILITY CONTRACTORS ASSOCIATION**
1235 JEFFERSON DAVIS HIGHWAY • ARLINGTON, VIRGINIA 22202 • 703-276-1500

May 1, 1983

Senator Robert Stafford
Chairman
Committee on Environment & Public
Works
SD-410 Dirksen Building
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the National Utility Contractors Association (NUCA) I wish to express my gratitude for giving this organization the opportunity to testify before the Committee on April 11. Leon Asadoorian and I feel that legislation addressing long-term infrastructure financing needs is crucial to the nation's economy and the health of its citizens, and I trust our testimony will prove beneficial to the committee in formulating future legislative proposals.

I also want to make you and other members of the committee aware of a minor amendment to the testimony we presented to the committee, involving the use of EPA construction grants as part of state infrastructure loan programs. Both S.532 and S. 724 contain a provision permitting states that institute an infrastructure loan program to use all or part of their share of EPA construction grants funding as loans for wastewater treatment construction projects.

In reflecting this association's past policy, we indicated NUCA's opposition to that provision contained in the two measures (page 4 of NUCA's testimony). This issue was again considered by the association's Board of Directors, which endorsed amending Title II of the Clean Water Act to permit states to use their construction grants as loans for wastewater project construction. As a result, NUCA enthusiastically supports the provision contained in both Section 108 of S.724 and Section 206 of S. 532 granting states this authority. Please make note of this amendment when reviewing our testimony.

In closing, I again stress to you and members of the committee the importance of legislation to provide financing for state infrastructure loan programs. This nation's public works needs cannot be met through short-term, "patchwork" programs. State and/or federal infrastructure loan programs will provide part of the necessary long-term solution to financing the nation's public works, and NUCA strongly urges the committee to mark-up the pending legislation and report it to the full Senate.

Thank you for your kind attention to this matter.

Respectfully,

William Burgett

William Burgett
President

cc: Hal Brayman

*We dig America*

Senator STAFFORD. Again, for the committee, I want to express our appreciation to all of you for your help in this undertaking the committee is embarking upon. We are very grateful to you, indeed. Thank you very much.

The committee will now stand adjourned until 10 tomorrow morning.

[Whereupon, at 12:30 p.m., the committee was recessed, to reconvene Tuesday, April 12, at 10 a.m.]

[Statements submitted for the record and the bills S. 23, S. 532, S. 724, and S. 871 follows:]

UNITED STATES CONFERENCE OF MAYORS
1620 EYE STREET, NORTHWEST
WASHINGTON, D.C. 20006
TELEPHONE: (202) 293-7330

STATEMENT OF

THE HONORABLE DUTCH MORIAL
MAYOR OF NEW ORLEANS

on behalf of

THE UNITED STATES CONFERENCE OF MAYORS

on

INFRASTRUCTURE, JOBS, AND THE CITIES

before the

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

April 11, 1983

Mr. Chairman and Members of the Committee, I am Dutch Morial, Mayor of the City of New Orleans. I am here this morning on behalf of the U.S. Conference of Mayors which is composed of the nation's principal cities. I serve within the Conference as a Trustee and as Chair of our Committee on Health, Employment, Education and Human Services. I have been active in all recent Conference deliberations on infrastructure, jobs, and urban finance.

The Conference is pleased to be here this morning to share our views with you. The members of this Committee have taken the lead in developing some very worthwhile and intriguing approaches to our combined problems of infrastructure and unemployment. We would like to take a few moments to discuss our reactions to these proposals and suggest some directions in which the Committee might go as it proceeds towards the next step.

We have some brief comments on each of the four legislative initiatives before this Committee, as well as some summary comments and suggestions.

S.724, The Public Investment Jobs Act of 1983

Mr. Chairman, all four Titles of S.724 are ambitious and comprehensive attempts to deal with pressing urban and national problems. Each separate Title generally outlines solutions very similar to those advocated by the Conference in recent years. The very existence of such broad-based legislation indicates how far the national debate on the problems of our cities has come in the last two years. Our comments are essentially to form and structure of S.724, not to its mission or goals. Here is how we view each of the four Titles.

Title I - Public Capital Investment. The Conference strongly supports the central component of Title I -- a $5 billion per year, ten-year national capital investment program designed to create both immediate job opportunities and a favorable long-term climate for urban economic development. We salute the sponsors of S.724 for their foresight in understanding that this is an appropriate national responsibility, in cooperation with states and localities, and the private sector. We have some questions and hesitation as to the design of Title I which can be summarized in this fashion:

- Mayors are concerned about the centrality of the Army Corps of Engineers as the responsible agency for such a national effort. While some cities have had experience with the Corps on specific water projects, most have not. While the Corps should play an active and strong role in the development and administration of such a program as Title I envisions, other agencies within the Committee's jurisdiction -- the Economic Development Administration, the Department of Transportation, or the Environmental Protection Agency -- also need to have roles in the implementation of such a key program.

- Mayors would support a more significant pass-through to local governments than just those above 250,000 in population. Mayors of cities of 50,000 in population now run programs in community development, transit, employment and training, and many others which receive substantial federal funds. The capacity exists now in local governments. The unnecessary step of having most Mayors forced to petition their governor for access to federal funds should not be necessary.
- A formula which makes some attempt at targetting funds to areas of greatest need would have the support of Mayors, and we recommend it to your consideration. Various indicators of age, growth, and distress could be factored into the formula. The Conference of Mayors has some experience with this, and we would be pleased to work with the Committee in development of a formula which goes beyond just population and road mileage.

- We would also hope that the Committee could give further examination to the issue of match. As currently drafted, the match would require a state-or-local-dollar for every federal dollar. A ratio which was more consistent with other national efforts, such as the highway program, would be far more compatible with the realities of local finance.

Title II - Economic Stablization and Job Creation. Title II of S.724 would authorize some $250 million per year for a variety of capital, planning, and technical assistance efforts aimed at private sector job creation and long-term economic development. The Conference strongly supports the aim of Title II in this regard. The structure of the specific programs which would be undertaken within this Title mirror some of the excellent programs which have been part of the Economic Development Administration over the years. EDA has enjoyed strong and vigorous support from Mayors all across the country. Its track record and the quality of its delivery system makes us believe that EDA should be strengthened, and not supplanted by another agency performing similar functions. We would urge that Title II be administered not by the Army Corps, but by EDA.

Title III - Standby Public Investment. The Conference has long called for, before this Committee and elsewhere, the creation of a standby countercyclical public works program, so that needed work could be performed by otherwise idle workers in times of economic downturn. By proposing to authorize up to $200 million per year over the next ten years, the Committee has stepped forward with a creative and, if enacted, extremely useful vehicle. We strongly believe that EDA, which ran massive programs of countercyclical public works in 1976 and 1977, and has the talent and relationships with local governments, should be given the opportunity to run this program, as well as be involved in Title I. Also, the "trigger mechanism" for implementing the program will need close examination. But this fact does not dilute our solid backing of a countercyclical public works program which could be quickly commenced and implemented when the need existed.

Title IV - Historic Sites. Mayors have strongly supported the work of historic preservation in our communities. It provides for considerable economic development, and many added amenities as well. We are increasingly working with the preservation community towards mutual growth and development strategies in our communities. We are pleased to support Title IV, which would provide $525 million on a one-year basis to undertake some of the important physical renovation involved with historic preservation, including the Inner City Ventures Program of the National Trust. We will hope to work with this Committee at some later point to ensure that local governments have access to whatever funds are made available, and that to the extent possible, the work is undertaken in coordination with other local developmental efforts. For instance, requiring a direct pass-through of some funds to cities with projects in historic preservation might be appropriate.

Title V - Youth Unemployment. One of the most pressing problems cities face today is the staggering amount of youth unemployment -- approaching more than 50 percent among minorities and very high levels across the board. The combination of a revitalized Young Adult Conservation Corps and a Summer Youth Employment for Community Improvement Projects is a good start towards meeting this crisis. The $3 billion per year dedicated to these important efforts is a significant sum, but is greatly needed in cities across the country. As the Committee continues to examine the best mix of efforts towards alleviating the youth joblessness issue, we would urge that close attention be paid to the implementation of the Jobs Training Partnership Act to ensure maximum cooperation with local programs under that banner. In addition, we would hope that the Committee might more closely model part of this Title after the American Conservation Corps, which has passed the House during two Congresses, but has yet to make little progress in the Senate.

In summarizing our views on S.724, Mr. Chairman, the Conference sees the outline within it of superb legislation. We wish only to work with you over the next several weeks so that the sum experience that we have as Mayors in running programs with considerable success with a variety of federal agencies can be factored into the approach of this important legislation.

## S.23 - The Rebuilding of America Act of 1983

Mr. Chairman, there is also considerable merit in the proposal by Senator Moynihan to establish a National Commission on Rebuilding America which would inventory public improvements needs at all levels, and recommend various financing methods for achieving their rebuilding, repair, and renovation. The U.S. Conference of Mayors is proposed for membership on such a Commission, and on behalf of the Conference let me say that we would be eager to serve. The Commission would also begin to move the federal government into the direction of looking in a more uniform manner at its capital expenditures. That is long overdue. Every city that I know of has a capital budget. A federal capital budget would have an important impact on our annual fiscal and budgetary debates and improve considerably the public's perception of how the federal government does business.

To the extent that the Committee will be looking at concepts like those embodied in S.724, and the Commission suggested by Senator Moynihan, Mayors would hope that they are viewed in a coordinated fashion -- that there will be a relationship between such a Commission and the public works type activities to follow. The Committee might also want to consider whether it might not be appropriate to provide local governments with a year of planning funds with which to establish the equivalent of their own inventories and priorities along Commission guidelines, followed by a program of public works as contained in S.724.

## S.532 - Public Investment Incentive Act of 1983

Mr. Chairman, the concept of State Infrastructure Banks is one of the more interesting and creative ideas to be proposed in recent years. In many ways, the proposal of Senator Domenici and others to provide $10 billion over three years in capitalization for state infrastrucutre is similar to structures advocated by the Conference and others on the national level -- namely, the Reconstruction Finance Corporation and the National Urban Development Bank. Though some progress has been made in some areas, Mayors do tend to be a bit wary in most cases of being excessively subject to state policy and administration in the development and implementation of our plans and programs. In order for State Infrastructure Banks to work properly, particularly if they were funded with such a considerable infusion of federal funds, a formal local role would have to be determined to insure protection of local prerogatives and continued local access to federal funds on a direct basis. We look forward to continuing to work with you in refining this concept.

## S.871 - The Regional Economic Development Act of 1983

Finally, Mr. Chairman, we wish to voice our general support for S.871, introduced by Senator Mitchell. This would be a rather straight-forward reauthorization of the basic statute under which the functions of the Economic Development Administration in the Department of Commerce have been carried out. S.871 would streamline and coordinate existing EDA functions within an overall framework of increasing private sector participation and involvement in the local strategies carried out under these programs. As I previously noted, the Conference of Mayors believes that city experience under EDA has been a very positive one, and this proposed improvement of it we view with great promise.

## Towards Effective Infrastructure/Jobs Legislation

Mr. Chairman, as the Committee moves forward in the coming period to more detailed consideration of its approach in infrastructure/jobs legislation, we hope that it will be guided by these principles:

- infrastructure/jobs legislation should be built on a foundation of federal-local success -- efforts which have worked demonstrably well in the past such as EDA should be expanded and increased;
- infrastructure/jobs legislation should be targetted -- to areas of need whether that need is in cities of growth or distress; and
- infrastructure/jobs legislation should be based, to the maximum extent possible on direct federal-city relationship which is the best way to get the job done efficiently and expeditiously.

Mr. Chairman, the Conference of Mayors appreciates the opportunity to present our views this morning. We look forward to working with the Committee in the days ahead towards speedy enactment of infrastructure jobs legislation.

I would be pleased to answer any questions the Committee might have.

NACo
**National Association of Counties**
**Offices** • 440 First Street, N.W. Washington, D.C. 20001 • Telephone 202/393-NACO

STATEMENT BY

THE HONORABLE CARL S. YOUNG, EXECUTIVE

BROOME COUNTY, NEW YORK

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE

THE SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

ON

S. 724, S. 23, AND S. 532

APRIL 11, 1983
WASHINGTON, D. C.

STATEMENT OF THE HONORABLE CARL S. YOUNG, BROOME COUNTY (NEW YORK) EXECUTIVE REPRESENTING THE NATIONAL ASSOCIATION OF COUNTIES (NACo) BEFORE THE SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE ON S. 724, S. 23, AND S. 532, APRIL 11, 1983.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU TODAY ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES (NACo)* ON THREE BILLS RELATING TO OUR NATION'S INFRASTRUCTURE NEEDS. I AM CARL YOUNG, COUNTY EXECUTIVE OF BROOME COUNTY, NEW YORK AND VICE CHAIRMAN OF NACo'S TRANSPORTATION STEERING COMMITTEE. I AM ACCOMPANIED BY MATTHEW COFFEY, NACo'S EXECUTIVE DIRECTOR. PLEASE ALLOW ME TO SUBMIT OUR ENTIRE STATEMENT FOR THE RECORD, AND I WILL SUMMARIZE OUR TESTIMONY AT THIS TIME.

## THE BROOME COUNTY EXPERIENCE

BY WAY OF BACKGROUND, BROOME COUNTY IS LOCATED DIRECTLY SOUTH OF SYRACUSE ON THE NORTHERN BORDER OF PENNSYLVANIA. THE COUNTY HAS A POPULATION OF 213,000 AS OF 1980 DOWN FROM 221,000 IN 1970 WITH BINGHAMTON ITS LARGEST CITY. BROOME COUNTY IN MANY WAYS IS A TYPICAL COUNTY IN THE NORTHEAST WITH A BLEND OF URBAN, SUBURBAN AND RURAL AREAS. OUR LATEST UNEMPLOYMENT RATE WAS 8.9 PERCENT WITH YOUTH UNEMPLOYMENT AT 19.2 PERCENT.

THE COUNTY GOVERNMENT EMPLOYS APPROXIMATELY 2,000 PEOPLE FULL-TIME AND HAS AN ANNUAL BUDGET OF APPROXIMATELY $112 MILLION. BROOME COUNTY HAS MAJOR RESPONSIBILITIES

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* The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are to: improve county governments; serve as the national spokesman for county government; act as a liaison between the nation's counties and other levels of government; achieve public understanding of the role of counties in the federal system.

FOR INFRASTRUCTURE SYSTEMS SUCH AS ROADS, BRIDGES, THE AIRPORT, COUNTY JAILS, MASS TRANSIT, COMMUNITY COLLEGE FACILITIES, PARKS AND MANY PUBLIC BUILDINGS. WATER AND SEWER SYSTEMS ARE MAINTAINED BY SEPARATE WATER DISTRICTS.

LIKE MANY NORTHEASTERN COUNTIES, BROOME COUNTY IS FACING THE DECAY OF MANY OF ITS INFRASTRUCTURE SYSTEMS. RECENTLY, OUR MAJOR NEWSPAPER, THE BINGHAMTON PRESS DID A TWENTY PAGE SUPPLEMENT IN THEIR SUNDAY NEWSPAPER ON THE COUNTY'S INFRASTRUCTURE PROBLEMS. THEY ESTIMATED THAT IT WOULD TAKE $678 MILLION TO ADEQUATELY REPAIR EXISTING INFRASTRUCTURE SYSTEMS. THIS BROKE DOWN AS FOLLOWS:

| | |
|---|---|
| ROADS, SIDEWALKS, GUARDRAILS | $284 MILLION |
| SEWERS AND STORMDRAINS | 197 MILLION |
| BRIDGES | 77 MILLION |
| WATER SYSTEMS | 48 MILLION |
| GARBAGE DISPOSAL | 40 MILLION |
| PUBLIC BUILDINGS | 32 MILLION |

THIS WORKS OUT TO A COST OF $8,690 PER FAMILY IN BROOME COUNTY, AND ABOUT SIX TIMES THE COUNTY'S TOTAL ANNUAL BUDGET.

THE TASK FOR REPAIRING ROADS AND BRIDGES IS OVERWHELMING. THE COUNTY MAINTAINS 337 MILES OF ROADS, AN ESTIMATED EIGHTY PERCENT OF WHICH NEED REHABILITATION. THE COST OF REPAIRING THE ROADS VARIES FORM $500,000 TO $ 2 MILLION PER MILE DEPENDING ON THE CONDITION OF THE ROAD. WE ALSO HAVE 239 BRIDGES IN THE COUNTY, AT LEAST HALF OF WHICH NEED REPAIR OR REPLACEMENT. MANY OF THESE ARE COUNTY RESPONSIBILITIES.

ON THE POSITIVE SIDE, WE ARE WORKING ON A $5.3 MILLION DOLLAR INDUSTRIAL PARK

PROJECT WITH THE FEDERAL ECONOMIC DEVELOPMENT ADMINISTRATION WHICH WILL CREATE JOBS AND INCREASE THE COUNTY TAX BASE. THE PROJECT INVOLVES BASIC SEWER AND ROAD EXTENSION ACTIVITIES TO BE FUNDED BY THE COUNTY AND PRIVATE INVESTMENTS FOR ABOUT SIXTY PERCENT AND BY EDA FOR ABOUT FORTY PERCENT OF THE COSTS.

## NACo POLICY

AT OUR RECENT LEGISLATIVE CONFERENCE IN FEBRUARY THE NACo BOARD OF DIRECTORS ADOPTED AN INTERIM POLICY RESOLUTION ON INFRASTRUCTURE NEEDS. OVER THE YEARS NACo HAS TAKEN A NUMBER OF POSITIONS ON SPECIFIC INFRASTRUCTURE NEEDS AND PROGRAMS, BUT THIS WAS THE FIRST TIME THAT THE ASSOCIATION HAS DEALT WITH THE OVERALL PRINCIPLES OF THE INFRASTRUCTURE PROBLEM. NACo HAS PLAYED A LEAD ROLE IN IDENTIFYING, PUBLICIZING AND PROPOSING SOLUTIONS TO SPECIFIC INFRASTRUCTURE PROBLEMS. TWO EXAMPLES OF OUR EFFORTS ARE WITH REGARD TO COUNTY BRIDGES AND JAILS. THE TIME HAS COME, HOWEVER, TO LOOK AT THESE NEEDS IN THE AGGREGATE AND FROM THE PERSPECTIVE OF THE PRIVATE SECTOR AS WELL AS AMONG ALL LEVELS OF GOVERNMENT.

LET ME NOW SUMMARIZE OUR POLICY POSITION (ATTACHED) WHICH IS OUR INITIAL ATTEMPT TO ADDRESS THE OVERALL INFRASTRUCTURE PROBLEM:

- LOCAL GOVERNMENT INFRASTRUCTURE NEEDS ARE TOO LARGE FOR LOCAL GOVERNMENTS TO HANDLE SOLELY WITH THEIR OWN RESOURCES.
- COUNTY GOVERNMENTS HAVE THE RESPONSIBILITY FOR MAJOR PORTIONS OF OUR NATION'S INFRASTRUCTURE SYSTEM AND SHOULD BE INVOLVED FROM THE START IN THE DEVELOPMENT AND IMPLEMENTATION OF NATIONAL POLICY.
- RURAL AND URBAN NEEDS SHOULD BE TAKEN INTO ACCOUNT IN AN EQUITABLE MANNER IN THE DEVELOPMENT OF NATIONAL POLICIES AND PROGRAMS.

- LOCAL GOVERNMENTS SHOULD QUALIFY FOR PUBLIC WORKS GRANTS AND LOANS PRIMARILY ON THE BASIS OF THEIR INFRASTRUCTURE NEEDS, BUT ALSO INCLUDING UNEMPLOYMENT FACTORS.
- THE FEDERAL GOVERNMENT SHOULD MOVE TO CONSOLIDATE INFRASTRUCTURE GRANTS AND LOAN PROGRAMS WITH THE GOAL OF MAXIMIZING LOCAL GOVERNMENT FLEXIBILITY, DECISION-MAKING AND PRIORITY-SETTING.
- THE TAX EXEMPT STATUS OF MUNICIPAL BONDS SHOULD NOT BE CHANGED IN ANY ASPECT OF INFRASTRUCTURE FINANCING LEGISLATION.
- LOCAL GOVERNMENT MATCHING REQUIREMENTS SHOULD BE MINIMIZED ESPECIALLY FOR ECONOMICALLY DEPRESSED AREAS WITH A DEMONSTRATED INABILITY TO PAY.
- FEDERAL SEED FUNDS FOR INFRASTRUCTURE BANKS SHOULD SUPPLEMENT RATHER THAN REPLACE EXISTING GRANT PROGRAMS.

AT THIS TIME WE DO NOT ENDORSE ANY ONE LEGISLATIVE PROPOSAL OVER ANOTHER BUT WE ARE SUPPORTIVE OF AN INCREASED FEDERAL ROLE IN ASSISTING ALL LEVELS OF GOVERNMENT MEET OUR NATION'S INFRASTRUCTURE NEEDS. OF ALL LEVELS OF GOVERNMENT, THE FEDERAL GOVERNMENT IS PROBABLY THE MOST FRAGMENTED IN ITS APPROACH TO THE INFRASTRUCTURE PROBLEMS AND THIS RESULTS IN PROBLEMS AND INEFFICIENCIES AMONG THE OTHER LEVELS OF GOVERNMENT. WE GENERALLY SUPPORT FEDERAL EFFORTS TO SURVEY OUR INFRASTRUCTURE NEEDS ON A STATE BY STATE BASIS ASSURING THE INVOLVEMENT OF LOCAL GOVERNMENT OFFICIALS; INCREASED FEDERAL FUNDING FOR INFRASTRUCTURE PROJECTS; BETTER COORDINATION OF PUBLIC WORKS PROGRAMS AMONG ALL LEVELS OF GOVERNMENT; AND A VOLUNTARY SYSTEM OF INFRASTRUCTURE BANKS AT THE STATE LEVEL, AGAIN ASSURING REAL LOCAL GOVERNMENT OFFICIAL REPRESENTATION.

IN ADDITION TO THE RURAL AND URBAN EMPHASIS MENTIONED ABOVE, THE FEDERAL GOVERNMENT SHOULD DEVELOP POLICIES WHICH TAKE INTO ACCOUNT INFRASTRUCTURE NEEDS IN DIFFERENT REGIONS OF THE COUNTRY. COUNTY GOVERNMENTS IN THE NORTHEAST AND MIDWEST GENERALLY HAVE MOST OF THEIR BASIC SYSTEMS IN PLACE AND THEIR NEEDS ARE PRIMARILY FOR REHABILITATION AND MAINTENANCE OF EXISTING SYSTEMS. MANY SUNBELT COUNTIES DO NOT HAVE THE NECESSARY INFRASTRUCTURE SYSTEMS IN PLACE AND THEIR NEEDS ARE OFTEN ONES OF EXPANSION AND NEW CONSTRUCTION. AGAIN LOCAL GOVERNMENT FLEXIBILITY SHOULD BE MAXIMIZED SO THAT THE NEEDS OF A GIVEN AREA CAN BE MET MOST EFFECTIVELY WITH THE FINITE RESOURCES AVAILABLE.

WE ALSO FAVOR AN APPORTIONMENT PROCESS WITHIN EACH STATE FOR GRANT OR LOAN PROGRAMS INVOLVING FEDERAL FUNDS. COUNTY AND CITY OFFICIALS ARE IN THE BEST POSITION TO PRIORITIZE AMONG COMPETING INFRASTRUCTURE NEEDS AND TO DETERMINE HOW THOSE NEEDS SHOULD BE MET. IN THE PAST, TOO OFTEN THE AVAILABILITY OF FEDERAL OR STATE FUNDS FOR SPECIFIC TYPES OF PROJECTS HAS DIRECTED THE COURSE OF INFRASTRUCTURE RESOURCES. WE FAVOR THE CONCEPT OF AN INFRASTRUCTURE BLOCK GRANT, PASS THROUGH OR LOAN GUARANTEE AMOUNT TO COUNTIES AND CITIES BASED ON SUCH FACTORS AS POPULATION, AND UNEMPLOYMENT.

## COMMENTS ON LEGISLATIVE PROPOSALS

### S. 724 -- PUBLIC INVESTMENT/JOBS ACT OF 1983

MR. CHAIRMAN, WE COULD NOT AGREE WITH YOU AND MR. RANDOLPH MORE ON THE OVERALL GOALS RELATING TO OUR INFRASTRUCTURE NEEDS THAN AS YOU HAVE EXPRESSED IN THE FINDINGS AND DECLARATIONS SECTION OF TITLE I OF YOUR BILL. THERE MUST BE A LONG RANGE AND SUSTAINED EFFORT COORDINATED AMONG ALL LEVELS OF GOVERNMENT TO MEET OUR INFRASTRUCTURE

NEEDS IF WE ARE TO CONTINUE TO PROSPER AS A NATION.

WE BELIEVE THAT THERE SHOULD BE A DEDICATED REVENUE SOURCE TO FUND TITLE I OF THE PROGRAM, WITH A SPECIFIC PERCENTAGE OF FEDERAL GOVERNMENT REVENUES AS A DESIRABLE APPROACH.

WE STRONGLY BELIEVE THAT THE PASS THROUGH PROVISION IN TITLE I SHOULD APPLY TO CITIES AND COUNTIES OVER 200,000 POPULATION RATHER THAN 250,000 POPULATION. THIS WOULD KEEP THIS PROGRAM RELATIVELY CONSISTENT WITH RELATED FEDERAL PROGRAMS SUCH AS COMMUNITY DEVELOPMENT BLOCK GRANTS AND THE JOB TRAINING PARTNERSHIP ACT. BROOME COUNTY, WITH 213,000 POPULATION, AN ELECTED COUNTY EXECUTIVE AND MAJOR DIRECT RESPONSIBILITIES FOR INFRASTRUCTURE FUNCTIONS IS A CLASSIC EXAMPLE OF A LOCAL GOVERNMENT WHICH CAN USE THESE FUNDS MOST EFFECTIVELY IF IT IS ADMINISTERED DIRECTLY.

TITLE II OF THE BILL APPEARS TO US TO BE A POSITIVE PROGRAM SIMILAR TO THE ECONOMIC DEVELOPMENT ACT WHICH HAS BENEFITTED SO MANY COMMUNITIES. I MENTIONED OUR POSITIVE EXPERIENCE WITH EDA WITH REGARD TO OUR INDUSTRIAL PARK PROJECT. I WOULD HOPE THE FEDERAL GOVERNMENT WOULD CONTINUE THESE KINDS OF ACTIVITIES IN THE FUTURE.

WE AGREE WITH THE NEED FOR A STAND-BY COUNTERCYCLICAL PROGRAM WHICH IS AUTOMATICALLY TRIGGERED IN TIMES OF RECESSION. AS IS RECOGNIZED IN THE BILL, COUNTERCYCLICAL

PROGRAMS HAVE BEEN DELAYED IN THE PAST IN PASSAGE AND IMPLEMENTATION WHICH HAS DECREASED THEIR EFFECTIVENESS AS COUNTERCYCLICAL DEVICES. THE ONE ASPECT OF THE LOCAL ELIGIBILITY REQUIREMENTS WE DISAGREE WITH IS THE EIGHTY PERCENT OF NATIONAL AVERAGE PER CAPITA INCOME RESTRICTION. THIS WOULD DISQUALIFY MANY DEPRESSED AREAS IN THE NORTHEAST AND MIDWEST WHERE INCOME IS OFTEN HIGHER THAN OTHER PARTS OF THE COUNTRY.

THE TITLE IV HISTORIC SITES SECTION OF THE BILL SHOULD HAVE A MORE LOCAL FOCUS THROUGH DIRECT GRANTS TO COUNTIES AND CITIES AND STRONGER REQUIREMENTS FOR THE STATES TO CONSULT WITH LOCAL ELECTED OFFICIALS IN THE DEVELOPMENT AND SELECTION OF PROJECTS.

THE YOUTH EMPLOYMENT SECTION OF THE BILL (TITLE V) IS MUCH NEEDED AND WE WOULD URGE ITS ADOPTION. HOWEVER, WE WOULD SUGGEST THAT THE BOTH PROGRAMS (YOUTH COMMUNITY CONSERVATION AND IMPROVEMENT PROJECTS AND THE YOUNG ADULT CONSERVATION CORPS) BE COORDINATED THROUGH JOB TRAINING PARTNERSHIP ACT SPONSORS. LOCAL GOVERNMENTS HAVE CONSIDERABLE EXPERIENCE IN ADMINISTERING THESE KINDS OF PROGRAMS. WE ESPECIALLY PREFER THE JTPA APPROACH TO THE YCCIP PROGRAM AS OPPOSED TO OPERATING THEM THROUGH THE COMMUNITY SERVICES BLOCK GRANT ACT MECHANISM.

IN BROOME COUNTY, ALMOST THIRTY PERCENT OF OUR UNEMPLOYED ARE YOUTH. WE ARE PRESENTLY SERVING MANY YOUTH IN OUR EMPLOYMENT AND TRAINING PROGRAMS. IT MAKES SENSE TO US THAT ONE AGENCY BE THE PRIMARY DELIVERER OF EMPLOYMENT AND TRAINING SERVICES AT THE LOCAL LEVEL. THE SYSTEM IS BEING PUT INTO PLACE AND SHOULD BE USED FOR OTHER EMPLOYMENT PROGRAMS.

S. 23 -- REBUILDING OF AMERICA ACT OF 1983

WE APPLAUD SENATOR MOYNIHAN AND HIS THREE CO-SPONSORS FOR THEIR INITIATIVE AND FORWARD THINKING WITH REGARD TO MEETING OUR NATION'S INFRASTRUCTURE NEEDS. THE PASSAGE OF S. 23 WOULD GO A LONG WAY TOWARD UNDERSTANDING THE NATURE AND EXTENT OF OUR INFRASTRUCTURE PROBLEMS SO THAT WE CAN DEAL WITH THEM IN A COMPREHENSIVE AND COORDINATED MANNER. WE THANK SENATOR MOYNIHAN AND THE OTHER SPONSORS FOR RECOGNIZING THE BASIC RIGHTS OF STATE AND LOCAL GOVERNMENTS TO MANAGE LAND AND WATER RESOUVCES AND POLICIES WITHIN THEIR JURISDICTIONS. WE ALSO AGREE WITH THE SPONSORS OF THE BILL ON THE NEED TO INVOLVE LOCAL AND STATE GOVERNMENT ELECTED OFFICIALS ON THE PROPOSED NATIONAL COMMISSION.

OUR ONLY CONCERN ABOUT THE BILL AS PROPOSED IS WITH THE DEVELOPMENT OF A NATIONAL PUBLIC IMPROVEMENTS PLAN AND PRIORITIES. WE BELIEVE THAT THESE PRIORITIES CAN BEST BE DEVELOPED FROM THE LOCAL LEVEL ON UP, AND THAT LOCAL ELECTED OFFICIALS KNOW WHAT IS MOST NEEDED IN THEIR LOCAL COMMUNITIES. AS I INDICATED EARLIER, THE INFRASTRUCTURE NEEDS AND PRIORITIES MAY BE MUCH DIFFERENT IN BROOME COUNTY THAN THEY ARE IN A COUNTY OR CITY IN VERMONT, WEST VIRGINIA OR NEW MEXICO.

S. 532 -- PUBLIC INVESTMENT INCENTIVE ACT OF 1983

THERE IS MUCH APPEAL AND MERIT IN CREATING A SYSTEM OF INFRASTRUCTURE BANKS WHICH WOULD LEVERAGE FINITE FEDERAL RESOURCES, ACT AS AN INCENTIVE FOR STATE AND LOCAL GOVERNMENT INVESTMENT AND MAINTAIN THE STATE AND LOCAL GOVERNMENT BASIC DECISION-MAKING PROCESS.

WE HAVE A BASIC CONCERN THAT WE HAVE ALREADY COMMUNICATED WITH SENATOR DOMENICI AND HIS STAFF, WHICH IS THE LACK OF COUNTY REPRESENTATION ON THE NATIONAL INFRASTRUCTURE COUNCIL. IN A LIKE MANNER WE BELIEVE THAT THE STATES SHOULD BE REQUIRED TO INCLUDE ELECTED COUNTY OFFICIALS ON THEIR STATE INFRASTRUCTURE BANK BOARDS AND INVOLVE THEM IN THE CLEAN WATER ACT PORTION OF THE BILL.

WE ALSO BELIEVE THAT THE INFRASTRUCTURE BANK SYSTEM SHOULD SUPPLEMENT EXISTING GRANT PROGRAMS AND PRIVATELY FINANCED BOND OPTIONS. EACH MECHANISM HAS ITS PLACE IN CONTRIBUTING TO MEETING OUR INFRASTRUCTURE NEEDS.

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON THESE IMPORTANT ISSUES OF NATIONAL CONCERN. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU OR THE OTHER MEMBERS OF THE COMMITTEE MAY HAVE.

## NACo RESOLUTION: INFRASTRUCTURE NEEDS

WHEREAS, there is general agreement among all sectors of our society that our nation's basic infrastructure systems (e.g., transportation, water, sewer, jails, public buildings) are in serious decay;

WHEREAS, future economic prosperity and general living conditions will depend on the construction, maintenance and repair of our nation's infrastructure systems;

WHEREAS, county governments have significant responsibilities for the construction and maintenance of much of our nation's infrastructure systems;

WHEREAS, building and maintaining our nation's infrastructure systems is a national priority and is too large a problem for local governments to handle completely on their own;

THEREFORE BE IT RESOLVED, that the National Association of Counties urges Congress to pass legislation providing for a survey of our nation's infrastructure needs by state, increased funding for infrastructure projects, better coordination of public works programs at all levels of government, and a voluntary system of infrastructure banks to help financ needed infrastructure projects.

BE IT FURTHER RESOLVED, that the following principles be followed in the development of federal, legislation and policy:

1. County government officials should be fully involved from the start in research, technical assistance and in the development and implementation of a national infrastructure policy.
2. Federal resources should be available on an equitable basis to both rural and urban areas.
3. Federal seed funds for infrastructure banks should supplement rather than replace existing grant programs. If new programs are developed, local government matching requirements should be minimized.

Passed by the NACo Board of Directors at the Annual Legislative Conference, March 1, 1983.

4. All county governments should be primary recipients of public works/ jobs funds based on their relative infrastructure needs as well as unemployment.
5. The federal government should not weaken the tax exempt status of municipal bonds in any aspect of infrastructure financing legislation. NACo would oppose the addition of a taxable bond option to legislation until a study can be made of the impact of such a proposal on the municipal bonding capacity of state and local governments.
6. The federal government should maximize consolidation of infrastructure financing and grant programs to provide maximum local government flexibility for resource allocation.

# BIOGRAPHY

## CARL S. YOUNG, COUNTY EXECUTIVE
## BROOME COUNTY, N.Y.

CARL YOUNG WAS FIRST ELECTED TO THE BROOME COUNTY LEGISLATURE IN 1972, AND BECAME MAJORITY LEADER IN 1976. HE HAS CHAIRED COMMITTEES ON AGING; VETERANS AND YOUTH; PUBLIC HEALTH; REASSESSMENT; TRANSPORTATION AND THE IMPORTANT FINANCE COMMITTEE.

MR. YOUNG WAS BORN IN SYRACUSE AND GRADUATED FROM MIDDLEBURG COLLEGE IN 1964 WITH A B.A. IN POLITICAL SCIENCE. HE RECEIVED HIS MASTERS DEGREE FROM SYRACUSE UNIVERSITY IN POLITICAL SCIENCE. AS A HISTORY AND GOVERNMENT TEACHER AT BINGHAMTON CENTRAL HIGH FROM 1965-1980, HE WAS CHOSEN AS "OUTSTANDING SECONDARY EDUCATOR IN AMERICA" IN 1974, AND THE "TEACHER OF THE YEAR" AT BINGHAMTON CENTRAL HIGH IN 1979. HE WAS ELECTED AS BROOME COUNTY EXECUTIVE IN 1980 FOR A FOUR YEAR TERM.

MR. YOUNG HAD BEEN A DIRECTOR OF THE BROOME COUNTY URBAN LEAGUE, A DIRECTOR AT ROBERSON CENTER FOR THE ARTS AND SCIENCES, A MEMBER OF THE BROOME ADVISORY COUNCIL ON HUMAN RIGHTS, A MEMBER OF A UNITED WAY SPECIAL STUDY COMMITTEE AND A MEMBER OF THE EXECUTIVE COMMITTEE OF THE NY-PENN HEALTH SYSTEM AGENCY BOARD OF DIRECTORS. HE IS A PAST OFFICER OF THE BROOME COUNTY YOUNG REPUBLICAN CLUB, AND WAS DIRECTOR OF COUNTY REPUBLICAN YOUTH AFFAIRS FOR 1977. HE IS A MEMBER OF THE NEW YORK STATE ASSOCIATION OF COUNTIES MEDICAID TASK FORCE, A MEMBER AND VICE CHAIRMAN OF THE BINGHAMTON METROPOLITAN TRANSPORTATION STUDY POLICY COMMITTEE AND VICE-CHAIRMAN OF THE NATIONAL ASSOCIATION OF COUNTIES TRANSPORTATION POLICY STEERING COMMITTEE. CURRENTLY HE IS A MEMBER OF THE BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY.

MR. YOUNG IS MARRIED WITH THREE CHILDREN AND RESIDES IN BINGHAMTON, NEW YORK.

# TESTIMONY

BEFORE THE
UNITED STATES SENATE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Monday, April 11, 1983
Dirksen Senate Office Building
Room SD 406

By

BETTI S. WHALEY
President
WASHINGTON URBAN LEAGUE, INC.

Testimony By
Betti S. Whaley
President
Washington Urban League
To
Committee on Environment and Public Works
United States Senate
Monday, April 11, 1983

Mr. Chairman, distinguished members of the Committee on Environment and Public Works, I'm Betti Whaley, President of the Washington Urban League. I thank you for inviting me to testify today and I applaud this Committee for scheduling these hearings to explore how best to create jobs and at the same time, rebuild the nation's infrastructure.

The Washington Urban League has been in the business of helping the unemployed, underemployed, and unskilled for 45 years. In 1982, we provided employment assistance to more than 8,000 persons. Our approach is comprehensive and includes job counseling and referral, skills training, and job placement.

In the past, we have operated a variety of federally funded jobs programs. In the late sixties, we operated an on-the-job training program that eventually had more than 800 enrollees. Through the seventies and into the eighties, we continued to operate jobs programs to meet the specific needs of the unemployed, including a Disabled Veterans Employment Project, an Adults With Dependents Employment Program, CETA Title VI Public Service/Work Experience Program, Summer Youth Employment Programs, and Word Processing Skills Training. We have conducted all of these programs for targeted groups to strengthen our overall employment services effort.

In addition, the Urban League Movement as a national affiliate network has a good track record of sound fiscal management and professional implementation of jobs programs. For example, in fiscal year 1981, upwards to 100 Urban League affiliates were operating jobs programs of all types which collectively were funded at $52 million. More than 68,000 persons were enrolled in those programs and 23,000 were placed in unsubsidized employment. This was done at an average cost per participant of $2,200! This is considerably less than the $6,000 per participant cost that was quoted by the U.S. Department of Labor in fiscal 1981.

My comments this morning will be restricted to S.724 which proposes job creation and targeted jobs for young people. While I think it is laudable for this Committee and the sponsors of S.724 to be proposing ways to create jobs, I am unconvinced that this bill will have a meaningful and lasting positive impact on the unemployment problem facing this nation. It may help rebuild the infrastructure but will it help make unskilled jobseekers a productive part of the workforce in the long run?

You will get no argument from me that there is a need to rebuild this nation's infrastructure. But by rebuilding the nation's infrastructure will we significantly lower a Black unemployment rate that is officially in excess of 20 percent?

Given the skills training needed by so many people, I don't believe that a federal infrastructure/jobs program can adequately reach out to black people, young adults, and others bearing the heaviest burden right now.

Unfortunately, few unemployed people actually are helped by public works, since many lack the necessary job skills to work on these projects. Construction projects require journeyman-level workers. Most unemployed people do not have the skills to work on a bridge repair project. Only the simplest sorts of jobs, such as pothole repair can be filled by large numbers of the unemployed.

All of us are groping for a way to address the unemployment problem. In our rush to do so, we lose sight of the most important ingredient in helping people get jobs and keep them. That ingredient is skills training. Our experience shows us that skills training is the best way to help people make the transition to unsubsidized private sector employment. Persons that acquire meaningful skills training while enrolled in a federally-funded jobs program are much more likely to be able to compete in the job market.

The National Alliance of Business (NAB) released a report in June 1982 entitled "Business Impact on Training the Disadvantaged." The report included a survey of 93 of the largest Private Industry Councils in the nation.

In comparing the success of the CETA Title VII (Private Sector Initiative Program) to CETA Title IIB,C (Work Experience Program), NAB said: "An analysis of participant placements by program category suggests that the higher performance levels for Title VII can be attributed in part to the program content -- that is, the higher percentage of OJT programs and the much lower percentage of work experience programs in Title VII. Work experience programs, whether Title VII or II, typically result in low placement rates and, therefore, have a negative effect on overall performance. Simply put, the data suggest that Title VII has been oriented more to training and private sector placement than Title IIB,C. Nearly one-third of IIB,C funds were spent on subsidized employment programs which place few people in permanent private sector jobs."

Our experience with CETA Title VII confirms NAB's analysis. For the past four years, we have operated a Word Processing Training Center under Title VII with funding from the D.C. Private Industry Council. The Center operates much like a school and is in fact housed in an old D.C. school building. Over a 16-week training period, the Center trains its enrollees in the use of work processing and other advanced office equipment. But even more important, the placement rate for its graduates is 85 percent. Over this four-year period, 250 unemployed, primarily female, heads of household have graduated, many going on to jobs at high paying salaries. The Center expanded its operation this year to include secretarial training to help meet the growing demand for skilled clerical persons by private employers throughout the Washington metropolitan area.

In announcing the award of nearly $1 million to community-based organizations to train 625 persons this year, Mayor Marion Barry said: "Last year, 402 District residents received training under PIC programs. Of 335 who completed training, 260 were placed in permanent jobs."

Reliable estimates indicate that there are more than 30,000 unemployed persons who reside in the District of Columbia. The lucky few that are able to get one of the training slots, usually get a job and usually keep it.

Jobs programs which have as the foundation real skills training have proven to be the most effective in helping the unemployed. This especially true of training programs that focus on emerging career areas such as information processing. Money that has gone to skills training has been well spent, but there just is not enough of it.

In particular, looking at the District of Columbia, we can reasonably project that a federal infrastructure/jobs program will not be the best way to address the need for permanent jobs by residents of our city. Our employment effort is geared to meeting the manpower needs of area employers as well as maintaing a good understanding our the workforce base. It is critical that we know where the jobs are going to be in the next five, even ten years.

I hope you understand my reservations about an infrastructure jobs program. Simply, I believe that we have to look beyond just putting some dollars in an unemployed person's pocket. I believe we must commit ourselves to providing assistance that will ensure that those dollars stay in that person's pocket and that they continue to flow. Only a permanent unsubsidized job will do that.

In addition, we find that when federal jobs programs expire, if a particular participant has not received adequate or relevant training, the transition from publicly funded jobs to private sector jobs is highly unlikely.

Our concern, therefore, is for the strengthening of certain language in the bill to assure the effectiveness of the legislation in addressing the need as we perceive it from our vantage point of a community-based organization which services the affected population on a daily basis and which has enjoyed a degree of success in doing so.

We believe the following observations and recommendations will help strengthen this proposed legislation and, at the same time, enhance the overall battle to combat employment.

Generally, we believe that we must move away from labor-intensive federal jobs programs that are almost exclusively skill-oriented. We feel that the training effort must take into account, not only the unskilled jobseeker, but the growing pool of unemployed persons in need of re-training to re-enter the labor force.
In terms of specific recommendation we would like to propose that:

- * Title I be amended to require states to utilize local private Industry Councils as the umbrella for community-based organizations engaged in and demonstrating the ability to conduct meaningful skills training programs;
- * Training become the linchpin in Title V, and that emerging career areas be included to broaden the training effort; and
- * that the definition of "infrastructure" as it appears in Title V be broadened to allow the use of funds for revitalization of depressed neighborhoods. This would allow the inclusion of public housing projects, community shopping areas and recreation facilities.

Testimony before the

Committee on Environment and Public Works
United States Senate

Washington, D.C.

April 11, 1983

Albert T. Sommers
Senior Vice President and Chief Economist
The Conference Board
New York, New York

I welcome this opportunity to offer the Committee my views on the issues addressed in the three bills bearing on infrastructure outlay now before the Committee.

I know of nobody who does not agree that the U.S. infrastructure of public facilities is in a condition of serious and progressive deterioration, that the deterioration compromises our "quality of life"; that it has a harmful effect on productivity, and hence on the growth of our conventionally measured living standards. In appraising the cost to us all of this deterioration, I would be inclined to go even further. The paradox we are living in now --- a recognized urgent need for increased outlay on public facilities, in the presence of desperate levels of idleness among the human and capital resources required to meet the need --- says something very seriously critical about our ability to manage ourselves, and even about the coherence of our society. Finally, to make an undocumentable but possibly very important additional point, it is hard for Americans to maintain a strong, respectful dedication to a system that exhibits so much decay; a system that lacks the will to maintain itself hardly seems worthy of much respect. It may be that the growth of the underground economy is attributable as much to the deterioration of our infrastructure as it is to our tax rates. In dealing with the U.S. infrastructure problem, we are dealing with something much larger than simple matters of economic efficiency.

I accordingly support, wholeheartedly, the thrust of all three of the bills under consideration. The national commission to study the state of the infrastructure, and to develop the data and accounting concepts on which future decisions can rest, is an essential first step.

The state infrastructure banks proposed in S.532 seem to me to be a suitable vehicle for bringing together federal funds and federal supervision, with local determination of need. Some features of the bills make an effort to shape and distribute the employment consequences of increased outlay for infrastructure, and with some reservations I support that effort as well. I particularly support the proposal for a young adult conservation corps, more, really, on employment grounds than on infrastructure grounds.

With this general and enthusiastic acceptance of the need to treat the issue, and of some of the mechanisms to do so proposed in the bills, let me add a set of further observations, concerns and additional recommendations bearing on the scope and management of our future infrastructure effort.

1. There is a good deal of disagreement about the amount of employment involved in a given dollar amount of infrastructure outlay. My own judgment is that a considerable employment effect should be expected, particularly since I believe the ultimate program must be very large indeed (see below). But the focus of the program should be on infrastructure, not jobs. The more special qualifications that are added with respect to the required characteristics of the resulting employment, the less efficient will be the program, and the slower it will be in gearing up. I would prefer to depend heavily on a rapid increase of outlays to a high level, and their multiplier consequences, to achieve benefits for the labor force as a whole.

2. Title 3 of S.724 proposes a standby "counter-cyclical trust fund "to utilize the nation's resources and manpower more effectively by employing them at a time when they would otherwise stand idle." I have

reservations about any infrastructure program that is plainly cyclical in its intentions; the presence of such a program, even if it were only a relatively small part of a total effort, will expose the whole effort to the conventional arguments against public works outlay --- namely, that they really go on stream only after recessions are over, and that they continue into an ensuing recovery, amplifying the risks of overshooting and inflation. The infrastructure problem is not a cyclical problem; it has grown over decades, and it will take decades of continuous effort to overcome it. What is required is permanent dedication to a much higher level of outlay; if the economy were to overheat in the presence of such a program, it should not be the infrastructure outlay that gets cut. There are plenty of other places for fiscal policy to grow more conservative, if cyclical conditions and price conditions should require it. In my own judgment, an infrastructure program must be essentially --- I would even say entirely --- long-term in its focus.

3. Similarly, the provisions for distributing federal funds to states and localities should take primary guidance from the need for the proposed facility, and its significance for the national economy. It is quite understandable that the bills seek to accommodate to differential unemployment rates among areas, and differential per capita incomes; but the influence of such criteria should be firmly subordinated to the appraisal of the merits of projects themselves. The "practices and procedures that will lead to reasonably balanced economic development," as referred to in S.23, should be constrained to a minor role in project approval.

4. Similarly, the availability of user charges on projects where some income retrieval is possible should not exert bias in their

direction The overriding criterion should be the significance of the project for the infrastructure itself; partial financing through user charges should be adapted where it is feasible, but its feasibility should be subordinate as a criterion of project selection.

5. In the end, an infrastructure program is likely to call for very large amounts of money, considerably bigger than any of the amounts mentioned in any of the bills, or all of them combined. For this reason, an infrastructure program will in the end involve itself with the total position of the federal budget in the system, the prospective impact of the program on the aggregate deficit, and the allocation of federal spending among all programs, including defense itself. Given the present position of the budget, and given the accounting system on which the budget now rests, it will be very difficult indeed to extract for infrastructure the progressive growth in outlay that appears to be required. If they are to be accommodated substantially --- and I am confident that the "inventory" of our infrastructure proposed in S.23 will find a very substantial need --- then the entire budget structure will require review, and reorientation toward public capital outlay. I strongly urge the Committee to take a role in the growing debate over capital budgeting on the part of the federal government, and to pursue the exploration of this subject described in Section 106 of S.23. Until the federal government seriously adopts asset accounting and capital budgeting, infrastructure outlays will continue to experience the grave disadvantages in the budgetary processes that have led to their shrinking role in the total budget, and the deterioration of public facilities as a whole. I would be happy to explore the subject of asset accounting and capital budgeting further if the Committee wishes; in pursuit of that, I am submitting herewith an article on that subject, published in The Conference Board's magazine, "Across The Board," almost a year ago.

# TESTIMONY OF
# THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
# PRESENTED TO THE
# SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

on

The Public Investment/Jobs Act of 1983

April 11, 1983

AGC is:

- More than 32,000 firms including 8,500 of America's leading general contracting firms normally responsible for the employment of 3,400,000-plus employees;
- 112 chapters nationwide;
- More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utility facilities;
- Over $100 billion of construction volume annually.

The Associated General Contractors of America and its 112 chapters nationwide is comprised of approximately 32,000 firms including 8,500 of the nation's leading general contracting companies that perform more than $100 billion of construction annually; our member firms normally employ some 3,400,000-plus workers, a significant portion of our national labor pool.

We most appreciate the opportunity to testify before this Committee on proposals to improve this nation's infrastructure and develop new long-term job opportunities.

Our industry, more so than any other single industry, knows only too well the unemployment problems that burden our nation -- 1.2 million construction workers are presently unemployed. This represents almost 25 percent of the work force of the nation's largest industry. Construction currently accounts for some $230 billion of our Gross National Product, directly employing 3.8 million people, and indirectly employing an additional 16 million people in construction supply industries such as cement, glass and steel, insurance, architecture and engineering. However, unlike the recent past, when construction accounted for 10 percent of the Gross National Product (GNP), today's level represents less than 8 percent of the GNP and a sharp drop in the number of people at work on construction sites.

With the passage of last year's Surface Transportation Assistance Act, Congress recognized a very important need - the restoration of our nation's deteriorating highways and buildings. Through that recognition, Congress will also provide an estimated 63,000 jobs for every billion dollars spent in the highway program.

Increased expenditures in the highway program will result in increased productive employment of 13,100 on-site, 13,200 off-site and 36,700 induced employees.

The decaying nature of our highways and bridges, however, is only a part of the story. What we as a nation must be concerned about is the basic fiber of our framework, the nation's infrastructure.

Since March of 1982, the Associated General Contractors of America has been alerting the public to the steadily deteriorating infrastructure in the United States. All the elements of the high standard of living to which our citizens are accustomed are in jeopardy due to the poor state of our nation's public buildings, highways, bridges, dams and other public facilities. AGC believes an infrastructure repair program needs to be undertaken because it is urgently needed. An infrastructure program will not only revitalize the nation and its economy, but have the ability to directly re-employ or employ many of the nation's jobless in a timely, efficient and constructive manner.

In November 1982, the Associated General Contractors of America issued a major report to the Nation entitled "Our Fractured Framework: Why America Must Rebuild."

The study analyzed the infrastructure crisis facing our Nation and reported on documented infrastructure needs of $909.9 billion. As complete as the study was, it was also lacking in two major areas. First, the $909.9 billion in documented needs was almost exclusively just federal and federally-assisted infrastructure needs. Secondly, while the report raised many questions, it provided few suggested answers.

A special AGC Infrastructure Task Force was created to supplement the original report. Although this new report is not yet in final form, certain information is available. With the Chairman's permission, we would be most pleased to submit the final report to the Committee upon its completion.

AGC surveyed existing literature and studies on infrastructure needs and contacted over 100 organizations, states and cities in an effort to develop a documented estimate of necessary investment to meet presently identified infrastructure needs. The new AGC research reveals a minimum necessary capital investment of approximately $3.03 trillion. While the time frame for addressing such needs varies in the individual infrastructure categories, a weighted average indicates that most investment is projected to be necessary within the next 19 years.

The $3.03 trillion must be viewed as a minimum figure. There are a number of significant infrastructure categories for which no needs information presently exists, and hence are not included in the $3.03 trillion estimate. Such omissions include: rural potable water needs; parks; certain health care facilities; levees, dikes and revetments; libraries; firehouses; federal, state and local office buildings; among many others. Complete information on all such infrastructure needs would significantly increase the presently identified $3.03 trillion estimate.

Public works investments at all levels of government generally account for approximately 24 percent of all new construction put in place, or approximately $56 billion based on the 1982 value of construction put in place. Continuation of such public works investment levels would produce over the next 19 years (in 1982 dollars), a total investment of $1.06 trillion compared to the minimum necessary investment level of $3.03 trillion -- a total shortfall of approximately $1.97 trillion and an annual shortfall of $104 billion in 1982 dollars.

A review of the study to date reveals the diversity and complexity of funding needs. It also reveals that no single answer, no single investment strategy, no single funding mechanism will suffice. Each level of funding authority and responsibility has a role to play in devising a program to increase public capital investment.

Currently popular proposals for addressing the infrastructure crisis include: capital budgeting, state infrastructure banks, public works inventories, National infrastructure commissions, accelerated construction programs, National Public Works Banks for self-financing public facilities, and proposals for giving state and local governments the option of issuing taxable bonds. These proposals should not be competing on the basis of which provides the best overall solution. Any and all cost effective proposals which can guarantee a net increase in public works investments should be implemented. Only through a variety of mechanisms, at all levels of government, can progress be made. The unalterable fact is that public works investments must be dramatically increased at all levels of government.

AGC makes the following general recommendations regarding infrastructure funding:

1) where a federal presence in infrastructure funding (both direct and federally-assisted) is justified, such federal funding must be adequate.

2) all levels of government must realign funding priorities. The infrastructure crisis is of such magnitude and so integral to economic revival, growth, and employment that it must take precedence over social spending.

3) the key element in infrastructure funding must be dedicated, long-term funding mechanisms for all infrastructure categories. The funding must be dedicated to avoid the shifting of capital investment spending as occurred during the past 20 years. The funding must be long-term to provide stability in the infrastructure effort.

4) to maximize efficiency and economy in the expenditure of infrastructure funding and to provide productive private sector employment, infrastructure construction must be accomplished by the private sector through the single contract method and open competitive bidding.

5) User fee funding mechanisms and enterprise authorities should be used to the maximum extent.

6) Capital budgeting should be implemented by all levels of government as a means to assure increased investment in infrastructure.

7) State Infrastructure Banks should be established with initial capitalization from both the federal government and the states, provided the creation of the banks will result in a net increase in infrastructure investment.

We are pleased to see that S.23, S.532, and S.724 address most of these recommendations.

We are not convinced, however, that a national infrastructure needs inventory is accomplishable. We hope it is, to provide a firm assessment of the extent of infrastructure deterioration, but we suspect that the diversity of the problem may make such an inventory impracticable. We also have concern with the development of a national priority list of infrastructure improvements. We do not believe that an Agency or Commission can validly make such value judgments; such determinations, it would appear, must be made at the point of origin -- the state, local, and city level.

AGC supports both S.532 and S.724, and, because of the similarities between S.532 and Title I of S.724, believes that S.724 is a more complete vehicle for addressing this nation's infrastructure crisis. We urge, however, that both bills be amended to:

1) assure maximum efficiency and economy in the expenditure of infrastructure funding; and

2) to assure productive private sector employment, by requiring that the infrastructure construction be accomplished by contracting to the private sector.

Increasingly large amounts of tax dollars are spent on construction of public works by government employees at all levels of government. Under this trend, which is commonly called "force account" construction, the public does not receive full value for its tax dollar. Studies have shown that it costs significantly more in real dollars for the government to complete work with its own equipment and personnel than it does the private contractor. Studies have also concluded that construction by contract to the private sector provides a significant return to the public in the form of taxes and tax recycling. A New Jersey study concluded that approximately 10 to 14 percent of a successful bid is returned to the public. An Oregon study revealed that taxpayers receive a net return of more than 20 percent of the contract cost when contract construction is chosen over force account construction.

Although we support the major thrust of S.532 and S.724 we do have some concerns with Title V. We do not take exception with the objective of Title V which is to provide employment for youth. However, the methods of implementation and assumption inherent in the legislative proposals, however, appear to be somewhat flawed.

For example, program implementation under either Part A or Part B of Title V is through a new procedure which will undoubtedly take months to initiate. To the extent that any of the provisions are designed to provide youth summer employment, it will be the summer of 1984 in many instances before the youth unemployment roles are reduced.

In addition, the concept of earmarking funds to areas with high unemployment may have short term appeal but may at the same time perpetuate the problems created by structural unemployment. Unemployed youth in declining industry areas should be encouraged to seek training in an industry which will provide long term employment. That industry may not be located in an area with high unemployment. Further, youth unemployment programs in areas already impacted by structural unemployment may dilute efforts to address the problems of older workers seeking retraining.

A thrust of Title V, aside from removing youth from the ranks of the unemployed, is to provide some degress of training. Yet the short length of projects contemplated and unidentifiable nature of training programs to provide increased skill levels leaves room for concern.

In this regard, the construction industry has a history of training its own work force. For example, AGC and its chapters participate in over 2,400 on line training programs. The resources and facilities which will provide long term employment opportunities for our nation's youth are available. All that is needed to insure that these resources function is a concentrated effort on meeting the needs of the infrastructure.

AGC encourages Congress to consider the problem of youth unemployment in a manner consistent with our previous comments. Congress should provide the private sector with the opportunity to do what it has historically accomplished-a long term constructive career path for our nation's youth.

Relief for the unemployed is obviously a complicated issue. There are a multitude of choices and each has a different potential impact on the employed, unemployed, and the nation's economy. We have hopefully learned that relief aimed at removing individuals from the unemployment rolls is only a temporary resolution. The best alternative is to develop programs that provide opportunities for the unemployed to work at jobs which fulfill a legitimate and lasting need within our industrial framework.

AGC believes that a great opportunity exists to address our nation's unemployment ills without the necessity of creating a new employment program, while at the same time addressing another national ill -- the deteriorating condition of our nation's infrastructure. That opportunity exists in using established federal, state and local public works programs to 1) reverse the deterioration of our nation's infrastructure and 2) provide productive employment in the process.

The vehicles, methods and procedures of public construction programs entailing competitively bid contract construction to the private sector are already in place -- they only need adequate funding to be employment effective.

America's manufacturers of steel, glass, plastics, fibers, pipe, cement, wire and paint are just some of the industries that are absolutely dependent on a vibrant goods consuming construction industry -- an industry which, with the other industries dependent on its good health, is responsible for more than 20 percent of American employment. Construction is the engine that drives the rest of our economy. When the construction industry is provided with the funding stimulus it needs, and which government at all levels must provide or risk the total disintegration of our public facilities, the construction industry will lead America to real economic recovery.

**THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA**

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RICHARD S. PEPPER, *President* JAMES D. PITCOCK, JR., *Senior Vice President* VERNIE G. LINDSTROM, JR., *Vice President*
LARRY F.C. CHING, *Treasurer* HUBERT BEATTY, *Executive Vice President*

April 26, 1983

Honorable Robert T. Stafford
Chairman
Committee on Environment and Public Works
U. S. Senate
Washington, D. C. 20510

Dear Chairman Stafford:

Pursuant to your April 12 request to Richard S. Pepper, enclosed are answers to the committee's questions regarding S724.

Sincerely,

Hubert Beatty
Executive Vice President

THE FULL SERVICE CONSTRUCTION ASSOCIATION FOR FULL SERVICE MEMBERS

1. Q: How would you suggest we define the term "public capital investment" for the purposes of Title I?

A: AGC recommends the following: the term "public capital investment" refers to construction and reconstruction expenditures for any facility owned or operated by a state, a unit of local government, or an agency or instrumentality of one or more states or units of local government, including, but not limited to: highways, streets, bridges, mass transit, airports, water supply and distribution systems, sewers, waste water treatment facilities, locks and dams, buildings, ports, waterways, and docks.

2. Q: You suggest greater use of user fees to pay for captial projects. Would you give us some specific suggestions.

A: Some user fee options include: energy road taxes levied against energy producers; special benefit assessments on property enjoying benefits of improved highway facilities; value capture taxes on properties that have increased in value because of improved highway facilities; passenger facility charge on passengers enplaning at U.S. commercial service airports; lockage fees on a per use basis for commercial and recreational navigation use of locks; deep draft user charge for ports; waterway user fee; the vendible products of a dam should be sold at a fair market price or at a price which recovers the federal investment in the dam; beneficiaries of a flood control or recreation project could be assessed for a fair portion of the development of a dam; assessment of a head tax dedicated to mass transit paid by employers who are served by the mass transit system; realistic charges should be imposed on delivery of utility services.

3. Q: What is your view of the need and value of an assured funding mechanism-- possibly through a form of dedicated revenues--for the Title I and/or Title V portions of S.724.

A: Funding for Title I must be dedicated and long term. It must be dedicated to avoid the shifting of capital investment spending to social service spending as has occurred during the past 20 years. The funding must be long-term to provide stability in the infrastructure effort.

4. Q: To what degree does Title I overlap existing Federal investment programs, and how can that be prevented?

A: There may be some overlap with existing Federal investment programs, however, we do not believe such overlap should be prevented for two reasons. First, Sec. 103 (a)(1)(B) & (D) assures that states will not be exclusively using federal monies. Secondly, a number of existing Federal investment programs are inadequate to meet existing infrastructure needs and additional funding is necessary.

5. Q: To what degree should the state programs under Title I become self-sustaining?

A: We believe that eventually they should be self-sustaining. States must begin to readjust their spending priorities to meet their infrastructure needs. The Title I programs are transitional in nature, and allow the states time to reorient priorities and establish dedicated funding sources for infrastructure construction.

**NATIONAL UTILITY CONTRACTORS ASSOCIATION INC.**
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Testimony of
the
National Utility Contractors Association

Mr. William Burgett
Mr. Leon Asadoorian

Before the
Senate Committee
on
Environment and Public Works

April 11, 1983

Testimony of
William Burgett
President, National Utility Contractors Association

Mr. Chairman and members of the committee, I am William Burgett, President of the Kokosing Construction Company located in Fredericktown, Ohio. I am also serving as 1983 President of the National Utility Contractors Association, or NUCA.

Our association is comprised of 2,200 companies nationwide -- contractors, suppliers and manufacturers. While many of our members participate in all phases of the construction industry, we specialize in water delivery and wastewater construction projects, particularly underground pipeline work.

NUCA members lay the sewer pipelines beneath our streets and build the pumping stations that propel the world's greatest natural resource, water, to every corner of the nation.

As a result of our first-hand experience, we are confident we have an in-depth knowledge of the condition of this nation's water-related infrastructure. Without fear of exaggerating the seriousness of the problem, these systems are literally falling apart due to age and neglect.

Permit me to present Leon Asadoorian, President of the Methuen Construction Company in Massachusetts and Chairman of the association's Government Relations Committee, to present our testimony on the legislation under consideration.

* * * *

Testimony of
Leon Asadoorian
representing the
National Utility Contractors Association

Mr. Chairman and members of the committee, I first want to applaud your collective efforts in focusing public attention on the deteriorating condition of this nation's public works. A number of individuals and organizations, including NUCA, have attempted to raise the consciousness of Congress and the public on the serious decay of the nation's infrastructure. The association I represent has played a leadership role in this public education effort by initiating "Good Water, America." This coalition is comprised of contractors, manufacturers, engineers and environmentalists with an interest in educating the American public as to the significant water-related problems facing this nation.

Members of this committee are taking substantive steps toward rectifying the infrastructure problem by addressing the legislation now being considered. I want to say at the outset that our association wholeheartedly supports each of the proposals now before us.

As Bill mentioned, NUCA members specialize in the construction of water delivery and wastewater treatment systems. Therefore, I will limit my remarks to these water-related areas of the larger infrastructure picture. After presenting a brief overview of the problem, I will address the impact of infrastructure financing on jobs and conclude by offering some specific recommendations on the legislation before us.

Each of the witnesses appearing before you today have their personal list of "horror" stories resulting from the decay inherent in many of the nation's public capital investment projects. NUCA recently issued a publication entitled "Ticking Timebombs: A Special Report and Recommendations on the Nation's Water and Sewer Systems," highlighting some of the problems relating to our sewer and water systems. With your permission, I would like to submit a copy of this report into the committee record.

Mr. Chairman, I feel it is imperative to stress that these problems are not regional -- they are evident in all areas of the nation. Many people associate sewer line breakdowns with older urban areas of the northeast and midwest. There is no doubt these regions have serious problems. In the Boston area, for example, much of the sewer system has been in place for over a century. Wooden pipes still transport part of the city's waste. Authorities estimate the city loses 30% of its wastewater through aged, leaking pipes. But wastewater treatment problems also exist in newer areas of the south and west. Orlando, Florida is prohibited from adding more homes to its overloaded sewer system. One-third of all sewer lines in Albuquerque, New Mexico are so deteriorated that trucks traveling over them cause the pipelines and the highways above them to collapse.

Water supply and delivery problems are often associated solely with the western states. Leaks in municipal water systems cost the state of California more than $16 million per year and the loss of 80 billion gallons of water annually. Yet few realize half the water mains here in Washington require replacement. New York City loses 100 million gallons of water daily through leaks in old water lines.

Mr. Chairman, the point is this: The problem facing this nation's water and sewer infrastructure are acute, they are immediate, and they are widespread.

The reason for this decay is fairly obvious and can be summed-up in one short phrase: long-term massive underinvestment. Restricted state and municipal budgets have resulted in deferred maintenance of vital public facilities. Replacement and rehabilitation of outdated systems have been postponed. New construction has been cancelled or delayed.

Chairman Stafford accurately pointed out in Title I of his bill that the total annual expenditure by the federal, state and local governments for public capital investment projects has declined by more than 50% in just the last fifteen years. This financing problem has been particularly acute in the wastewater treatment area. Sewer lines are buried underground -- out of sight and, usually, out of mind. As a result, they are not a politically attractive issue despite their critical importance to the nation's health and economic growth. To paraphrase a statement by the mayor of Lincoln, Nebraska, "When it's a choice between delaying needed sewer repairs and laying-off city policemen, sewers lose out every time."

In short, new sources of financing these construction and rehabilitation projects are imperative. For wastewater treatment systems alone, the EPA estimates it will cost $118 billion by the year 2000 to comply with the goals of the Clean Water Act. That figure includes an estimated total construction need of 108,000 miles of new or improved sewer pipe at a cost of some $45 billion.

However, despite these needs, 1981 amendments to Title II of the Clean Water Act made significant changes in the EPA Construction Grants Program. The program's funding authorization was reduced from $5 billion to $2.4 billion annually through fiscal 1985. After fiscal 1984, the federal share of construction costs is reduced from 75% to 55%. Collector sewers, so critical for economic expansion and community growth, are no longer a category eligible for federal funding after fiscal 1984, except under each Governor's "discretionary" fund.

All told, of the $118 billion in projected costs, the federal share of future wastewater treatment system funding has been reduced to roughly $37 billion. Clearly, new sources of financing these water-related infrastructure systems are a necessity if municipalities across the nation are to lay the groundwork for economic revitalization.

NUCA feels Congress has a unique opportunity to harness infrastructure financing programs to efforts designed to reduce the nation's rate of unemployment.

In 1982, the unemployment rate within all facets of the construction industry averaged 21 percent nationwide. The jobless rate within the utility construction industry was closer to 30 percent. Construction company foreclosures have reached an all-time high. More than 11,000 construction companies have closed their doors in the last three years -- 5,000 in 1982 alone. There are literally thousands of former employees whose jobs were linked to the construction of water and wastewater systems who can and want to work. But their skills are not needed because the financing necessary to build these public improvements is unavailable.

Studies indicate roughly 50,000 jobs are generated for every $1 billion spent on wastewater treatment construction. That figure includes on-site construction jobs and off-site work in manufacturing, supply and support industries. And it is important to keep in mind that this money is not spent on short-term public service jobs, but on skilled construction trades that generate permanent public improvements. They will benefit the American people and our economy well into the 21st century.

While existing federal grant programs provide some critically-needed financing for these projects, the work generated is clearly inadequate. Additional sources of capitalization are essential to meet this $200 billion-plus challenge, yet NUCA feels it is imperative to adopt a program that is fiscally prudent, particularly in light of the current budget squeeze.

Our association has studied a number of alternative financing proposals, and we have concluded that, in addition to maintaining the federal grant programs currently in existence, the most effective mechanism would be a federally-financed infrastructure bank program similar to those before us today -- the Stafford and Domenici state loan fund proposals.

While we wholeheartedly support the state infrastructure loan proposals, permit me to offer a few brief recommendations designed to make the legislation more "workable" and effective.

The $50 billion funding level authorized in S.724 would obviously provide significant funding for the state banks, but the association feels a considerable portion of that financing would simply go unused due to the 50% matching share it requires of the states. In light of the budgetary crises now being faced by a number of states, we feel certain governors would be simply unable to dedicate sufficient funds to match the federal share, a scenario that would prevent the institution of infrastructure banks in states where the need is greatest.

For example, unemployment within the state of Michigan is the highest in the nation, resulting in a drastic drop in state tax revenues. Although one of the major thrusts of this legislation is the creation of jobs, that effort could be thwarted in Michigan -- and other states -- because the state's budget could not provide the matching share necessary to attain federal funding for a state infrastructure program.

For this reason, we favor the formula contained in Senator Domenici's S.532, which authorizes 100% federal financing for the state banks. However, we feel the $10 billion authorized in S.532 is an inadequate amount of funding to deal effectively with the infrastructure problem nationwide. We advocate a combination of the Stafford and Domenici measures: 90% federal financing for state banks at a funding level in the $20-30 billion range spread over a 10-year period. It is imperative to note that once this initial federal financing has been appropriated, the state infrastructure banks would operate as revolving loan programs, negating the need for further federal financing.

Section 204 of Senator Domenici's bill states that "loans will be made (from the state infrastructure banks) at or below market rates." We respectfully recommend that the legislation specify "below market rates." Again, this provision would ensure the prompt and effective use of money to be made available by the banks. High interest rates in recent years have discouraged many municipalities from entering the bond market for public works financing. Currently, a number of localities refuse to apply for available Farmers Home Administration loan money because the interest rate is too high (currently 9 1/8%).

One suggestion is to specify in Section 204 that "loans will be made at rates not to exceed 2% below current market rates." This provision would provide a valuable incentive for local governments to actively seek an infrastructure bank loan.

Another change we recommend in both measures is to strike the provision permitting states to use EPA Construction Grants money for wastewater treatment construction loans. It is our position that this federal wastewater treatment program is largely responsible for the progress this nation has achieved in revitalizing its waters. More than 4,000 treatment systems have been built nationwide in the last decade, with many more scheduled to come "on line" in the immediate future. We freely testify the program has been far from problem-free, but certain reforms made by this Committee and Congress in 1981 have streamlined the program and made it a more cost effective effort.

One of the major problems inherent in the EPA program today is the inability of many municipalities eligible for grants to meet their 25 percent matching share required by law. That problem will be even more prevalent in fiscal 1985 when the federal share drops to 55 percent. We envision a state loan program similar to the Stafford or Domenici proposal as a funding source available to municipalities to finance their local matching share of EPA construction grants, or other water and wastewater programs under the Farmers Home Administration and other agencies.

The two programs, EPA and state loan banks, could work hand-in-hand to construct and repair wastewater projects. Local governments with projects high on their state's priority list could obtain a loan from the state to finance their EPA matching grant. Other municipalities with serious water pollution problems, but which are further down their state's priority list, could obtain a loan to finance all or part of their construction programs.

Again, we feel that the two programs -- EPA Construction Grants and state loan banks -- could most effectively remedy this nation's wastewater pollution problems by working in conjunction with each other. Therefore, we urge the committee to strike the provisions in Section 205 of S.532 and Section 108 of S.724 permitting the inclusion of EPA Construction Grant money in state loan banks.

One recommendation NUCA feels should be added to both the Stafford and the Domenici proposals is a provision requiring the "contracting out" of the money authorized under this legislation. For example, a suggested amendment could read, "All contracts funded in whole or in part by appropriations under this act shall be awarded on the basis of competitive bidding."

Mr. Chairman, the members of our association are becoming increasingly concerned over the use of federal construction money as "force account" projects. In other words some municipalities are using federal grant money to pay their local public works departments to construct these infrastructure projects. We realize a local public works unit is necessary to maintain and repair water, sewer and other systems, but the federal government and American taxpayers are being shortchanged when construction jobs are not contracted out through competitive bids. We strongly maintain that the work is completed faster, more cheaply and of better quality when it is contracted out through the competitive bidding system.

The committee is serious in its efforts to create productive new jobs within the private sector, not simply subsidize already existing government jobs. We believe that goal can be achieved much more effectively through the inclusion of language specifying the contracting out of the funds authorized by this legislation.

One other suggestion we offer regarding Title I of S.724 is that the committee take time to define the term "public capital investment projects." We feel it is imperative to specifically state the areas of infrastructure for which this funding can be utilized to prevent the misuse of federal funds. One of the problems with the nation's sewer and water infrastructure has been neglect by state and local governments. Money appropriated under federal block grant and revenue sharing programs is seldom utilized for sewer and water systems. Therefore, we feel it is critical to limit the kinds of projects that can be funded under any state loan program proposal to areas of the infrastructure that are truly in need of financing.

If I may make just a few additional brief comments on S.724 and S.532, the association enthusiastically endorses Section 103 (E) of the Stafford bill requiring that projects constructed under this program be maintained "on a scheduled basis...utilizing monies other than those available under the terms of this Title." We feel this provision will encourage greater use of a realistic user fee system in many areas. The American people have, for too long, grown accustomed to artificially low user fees for water and sewer services. Increased user fees that genuinely reflect the cost of these public services will ensure the future proper maintenance of the projects built under this program. We encourage the inclusion of this provision in the Domenici measure, S.532, as well.

Title II and III of the Stafford bill, S.724, would provide needed funding for public works jobs programs administered by the Corps of Engineers, and we are supportive of the two provisions. Title IV is certainly a worthy effort to employ the youth of this nation in productive jobs, but we suggest the committee may want to consider separating this Title from the rest of the bill and marking it up as a separate measure. This would permit the two major thrusts of S.724, a public works construction program and a youth employment program, to stand on their own merits.

NUCA also strongly supports Senator Moynihan's "Rebuilding of America Act," S.23. One of the major problems inherent in financing the nation's public works is the fact that no individual or government agency is certain as to the number of public improvements necessary or the cost of those improvements. Decisions have been largely based on guesswork and politics.

The public works inventory proposal would lead to the development of a national priority list, telling us just which projects are most in need, and would provide a national investment plan designed to help alleviate the most critical problem before us: just how to pay for the rehabilitation of this nation's infrastructure. We also feel a crucial element in this plan should be the adoption of a federal capital budget. Due to the opposition expressed by some Members of Congress and the administration, we believe the Moynihan plan to develop model unified budgets and an analysis of their usefulness in identifying needed public improvements is a beneficial compromise measure that would permit all interested parties to better study the capital budget concept.

Mr. Chairman and members of the committee, again I praise you for taking substantive action on our nation's infrastructure crisis. The legislation now before you is a critical step forward in meeting the challenges this seemingly overwhelming task offers. The choices before you are difficult ones, but the challenges to be faced by the American people will be far greater if immediate solutions are not addressed. And the three bills under consideration are, in our estimation, innovative, budget conscious and, above all, effective.

To those who may be critical of the costs involved and their impact on the federal budget, I offer this analysis: a reduction in the federal budget is dependent upon economic growth, and economic expansion is dependent upon a sound infrastructure.

Thank you for the opportunity to present the views of the National Utility Contractors Association, and my colleagues and I will be happy to answer any questions you may have at this time.

****

napa

National
Asphalt
Pavement
Association

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John Gray
President

April 29, 1983

Robert T. Stafford, Chairman
Committee On Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Stafford:

We appreciated having the opportunity for NAPA Chairman Richard Sprinkel to testify before the Committee at the recent infrastructure/jobs hearings.

In Mr. Sprinkel's absence, and in order to give an expeditious reply, I am enclosing, on behalf of the Association, the responses to the five questions forwarded following the hearings.

The staff and members of the National Asphalt Pavement Association are expecially committed to finding stable and reliable funding for public works programs, and we stand ready to assist you and the Committee in whatever way possible.

Respectfully,

John Gray
President

Enclosure

Questions for Mr. Sprinkel, National Asphalt Pavement Association

1. How would you suggest we define the term "public capital investment" for the purposes of Title I?

   "Public capital investment" should be defined to include the most comprehensive listing available, including highway projects which might normally fall under federal-aid highway categories. The governors should have the flexibility to determine the funding source best suited to their state's priorities.

2. What is your view on the greater use of user fees to pay for capital projects?

   User fees should be employed at every opportunity.

3. What is your view of the need and value of an assured funding mechanism-- possibly through a form of dedicated revenues -- for the Title I and/or Title V portions of S. 724?

   An assured funding mechanism should not be used, and Title V should not be included in legislation to bring stable and reliable funding to public works programs. The Young Adult Conservaton Corps is not the answer to youth unemployment, and is certainly not part of the solution to infrastructure renewal. In fact, it is this sort of distraction which is referred to in the NAPA testimony. "Our attention has routinely been distracted to causes closer to the voters. The nation's resources have repeatedly been directed by the winds of popularity." (Page 2)

4. To what degee does Title I overlap existing Federal investment programs, and how can they be prevented?

   Frankly, the credibility of S. 724 would be enhanced if it did not designate the Army Corps of Engineers or any other existing Federal agency to oversee a comprehensive infrastructure renewal effort. We prefer an independent federal-state infrastructure funding corporation (bank).

5. To what degree should the state programs under Title I become self-sustaining?

   Funded projects should have a guaranteed stream of revenue designated before loan approval.

II

98th CONGRESS
1st Session

# S. 23

To conduct an inventory of our Nation's water and sewer systems, bridges, highways and roads; to develop a ten-year investment plan to rebuild the public improvements essential to economic development; and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

January 26 (legislative day, January 25), 1983

Mr. Moynihan (for himself, Mr. Hart, Mr. Cranston, and Mr. Bradley) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

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# A BILL

To conduct an inventory of our Nation's water and sewer systems, bridges, highways and roads; to develop a ten-year investment plan to rebuild the public improvements essential to economic development; and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act shall be cited as the "Rebuilding of America Act of 1983".

### FINDINGS

Sec. 102. The Congress finds and declares that—

(a) highways, roads, bridges, mass transit systems, and water supply and sewer systems are public improvements vital to national development and prosperity;

(b) public works investment in the United States has declined at an alarming rate over the last decade and has resulted in the poor condition of much of our public improvements;

(c) the national costs of deteriorated public improvements are significantly higher than the costs of repairing, rehabilitating, improving, or replacing existing facilities;

(d) the Federal Government is reponsible for one-half of all public works investment in the United States through grants in aid and direct investment;

(e) the Federal Government has no institutional means of formulating a comprehensive national public improvements plan and ordering national priorities; and

(f) direct Federal public works investment has been spread unevenly throughout the regions of the Nation.

### POLICY

SEC. 103. It is the policy of the Congress that—

(a) States and local governments shall retain their traditional primacy in decisions affecting the use of land and water within their jurisdictions;

(b) the Federal Government shall adopt practices and procedures that will lead to regionally balanced economic development;

(c) prior Federal involvement in a national public improvement shall be a primary consideration but not a sole determinant in establishing future national priorities; and

(d) disincentives for maintaining, repairing, rehabilitating, and replacing deteriorating national public improvements that now exist in Federal laws and regulations shall be corrected to encourage the most economically efficient pattern of investment in public improvements by the Federal Government.

### NATIONAL INVENTORY OF PUBLIC IMPROVEMENTS

SEC. 104. The National Commission on the Rebuilding of America, established pursuant to section 108 and hereinafter referred to as the "Commission", shall conduct an inventory of existing major public improvements by region, State, and major metropolitan area of the United States and by type of facility, surveying especially—

(i) age and condition of the facility;

(ii) trends in the condition of the facility over the last twenty years and the relation of those trends to usage and maintenance schedules;

(iii) means of financing the maintenance, repair, rehabilitation, replacement, and new construction of facilities;

(iv) comparison of condition of public improvements within a region, State, or major metropolitan area and the pattern of economic development over the last twenty years; and

(v) trends in the public expenditures for maintenance, repair, rehabilitation, replacement, and new construction of public improvements by region, State, and major metropolitan area and by level of government.

### DEVELOPMENT OF A NATIONAL PUBLIC IMPROVEMENTS PLAN

SEC. 105. (a) The Commission shall develop a National Public Improvements Plan, hereinafter referred to as the "Plan", listing in priority order, needed maintenance, repair, rehabilitation or replacement of public improvements in each region, for the next ten and twenty years, or such other time periods as the Commission may deem appropriate, to sustain regionally balanced national economic development. Priorities shall be listed by type of facility for the Nation as a whole and for each region, and shall further consider the relative priorities among the various types of facilities. The Plan shall include recommended means of financing the needed maintenance, repair, rehabilitation, and replacement, taking into account the least-cost life-cycle costs of developing and maintaining national public improvements and the appropriate mix of Federal, State, and local resources to implement the Plan. The Commission shall consider prior Federal involvement, level of prior maintenance, and regional equity in its recommendations on financing the Plan.

(b) As an integral part of the Plan, the Commission shall suggest specific revisions in Federal laws, regulations, and policies and further suggest alterations in the current responsibilities of Federal, State, and local governments that may be necessary to reverse the pattern of disinvestment in national public improvements and sustain economic development. The Commission shall include analyses and recommendations in accordance with policies set forth in section 103 concerning—

(i) the report of the Comptroller General to the Congress, submitted pursuant to section 106 of this Act, on identifying Federal civilian capital investment outlays in the unified Federal budget;

(ii) changes in the imposition or allocation of excise taxes, user fees, other sources of public revenue, and borrowing authorities;

(iii) statutory or regulatory revisions in grants-in-aid, direct construction, or subsidy programs that would eliminate corruption, waste, and delay; that would encourage consideration of least-cost life-cycle costs in developing and maintaining facilities; and that would correct regional imbalances and disincentives for maintenance of facilities in Federal programs; and

(iv) the desirability and feasibility of scheduling public improvements construction and major renovation work in a manner counter to national or regional economic cycles in order to reduce the cost of such work and to dampen economic fluctuations.

### REPORT ON IDENTIFYING CIVILIAN CAPITAL INVESTMENT IN THE FEDERAL BUDGET

SEC. 106. (a) Within six months of enactment of this Act, the Comptroller General shall submit to the Committee on Environment and Public Works and the Committee on the Budget of the Senate and to the Committee on Public Works and Transportation and the Committee on the Budget of the House of Representatives, model unified budgets, for the fiscal year in which this Act is enacted and for the immediately preceding fiscal year, that distinguish Federal civilian capital investment outlays from other Federal outlays.

(b) Along with the model unified budgets, the Comptroller General shall submit a report including—

(1) a description of how the model budgets differ from existing Federal budget documents;

(2) an analysis of the usefulness of the model budgets in identifying investment and disinvestment needed in public improvements;

(3) an analysis of the usefulness of the model budgets in identifying appropriate programs and amounts of Federal fiscal support in building, maintaining, and repairing needed public improvements; and

(4) an analysis comparing the usefulness of a separate capital budget with the model unified budgets for the purposes of identifying investment and disinvestment in, and appropriate Federal programs and amounts of Federal fiscal support for needed public improvements.

## PROCEDURES

SEC. 107. (a) The Commission shall submit to Congress and the President, not later than one year from the date of enactment of this Act, the national inventory of public improvements required pursuant to section 104.

(b) Not later than eighteen months after the enactment of this Act, the Commission shall submit to Congress and the President a draft Plan required pursuant to section 105. For purposes of soliciting and considering public comment, the Commission shall further distribute the draft Plan to affected Federal agencies, all Members of Congress, major public interest groups, the Governors of the States, local officials, and make the report generally available to the public. All affected Federal agencies shall submit written comments to the Commission within thirty days.

(c) Not later than twenty-four months after the enactment of this Act, the Commission shall submit to the Congress and the President the final version of the Plan pursuant to section 105.

(d) Unless the Congress enacts a joint resolution of disapproval of that portion of the Plan required pursuant to subsection 105(a) within one hundred and twenty calendar days of receipt of the final Plan, that portion of the Plan shall be deemed to be approved by the Congress and shall be the policy of the Federal Government: *Provided, however,* That no statute or regulation of the Federal Government, of a State or political subdivision thereof shall be in any way altered by congressional approval of that portion of the Plan pursuant to subsection 105(a).

(e) The Senate Environment and Public Works Committee and House Public Works and Transportation Committee shall hold hearings on the proposed changes in existing law pursuant to section 105 and shall report legislative proposals to the Senate and House of Representatives regarding such changes within one hundred and eighty days of receipt of the Plan to permit full Federal implementation of the Plan.

### ESTABLISHMENT OF THE COMMISSION

SEC. 108. (a) There is hereby established a National Commission on the Rebuilding of America which shall assess the condition of the national public works infrastructure, analyze causes of disinvestment in the national public works infrastructure, and evaluate the need to repair, maintain, replace, and expand the national public works infrastructure to support balanced development of the national economy.

(b) The Commission shall be composed of—

(1) the Secretary of the Army, the Secretary of Transportation, and the Secretary of Commerce; in the event the Secretary is unable to attend a meeting of the Commission, he may designate a representative but in no case may the designee be of a rank lower than Assistant Secretary;

(2) representatives of each of the following organizations: the National Governors' Association, the National Conference of State Legislatures, the National

League of Cities, United States Conference of Mayors, and the National Association of Counties; and

(3) five individuals from the private sector selected by the President who among them have experience in and knowledge of public investment financing, civil engineering, State and local budgeting practices, and regional planning.

(c) The President shall designate one of the five individuals as Chairman of the Commission. The Chairman shall be an individual of national recognition with experience in both public affairs and private enterprise. The Chairman shall be confirmed by the Senate.

(d) The Secretary of Housing and Urban Development, the Secretary of Labor, the Secretary of Agriculture, the Secretary of the Interior, and the Administrator of the Environmental Protection Agency or their designees shall attend the meetings of the Commission as nonvoting members.

(e) The Commission shall be convened within thirty days of enactment of this Act.

### DEFINITIONS

SEC. 109. For the purposes of this Act—

(a) the term "national public improvement" means the Nation's system of highways, roads, bridges, mass transit, main water supply and distribution systems, and sewer systems;

(b) the term "facility" means any physicial structure such as a highway, road, bridge, transit line, or structure related to a mass transit system, water supply storage, treatment, and distribution system or sewage treatment and collection system which is owned and operated by the Federal Government, a State, municipality, or other public agency or authority organized pursuant to State and local law;

(c) the term "maintenance" means routine and regularly scheduled activities intended to keep the facility operating at its designed specifications;

(d) the term "repair" means the correction of a structural flaw in the facility without adding significantly to the design life of such a facility;

(e) the term "rehabilitation" means the correction of structural flaws in a facility so as to extend the engineered design life of such a facility;

(f) the term "replacement" means the reconstruction of an existing facility;

(g) the term "life-cycle cost" means the total cost of constructing, operating, and maintaining a facility, including the interest on any borrowed funds, over the design engineered life of the facility;

(h) the term "State" means any State of the United States, the District of Columbia, Puerto Rico, Guam, American Samoa, the Northern Marianas Trust Territories, or the Virgin Islands; and

(i) the term "region" means one of the nine geographical groups of States defined by the Bureau of the Census in the Statistical Abstract of the United States.

### AUTHORIZATION OF APPROPRIATIONS

SEC. 110. (a) There shall be a staff for the Commission consisting of no more than thirty full-time employees of the Federal Government, who shall be detailed by the various agencies upon request of the Chairman of the Commission: *Provided,* That nothing in this section shall be construed to permit an increase in the level of total Federal employment.

(b) The Secretary of the Army shall assign an employee of the Army Corps of Engineers as staff director for the Commission, with the concurrence of the Chairman of the Commission, and shall also provide office space, supplies, equipment, and necessary contracting and other support services to the Commission and its staff.

(c) The heads of all Federal agencies are directed to cooperate with the Commission to the maximum extent possible, and to provide, on a timely basis, such information as the Commission may request.

(d) There is hereby authorized to be transferred or reprogramed from appropriations otherwise available to the Army Corps of Engineers, the Department of Transportation, and the Department of Commerce, the total of $5,000,000 to carry out the duties of the Commission during its tenure, said sum to be exclusive of salaries for staff.

(e) The private members of the Commission shall be compensated for their time engaged on Commission business at the daily rate established for employees at grade 18 of the General Schedule.

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II

98TH CONGRESS
1ST SESSION

# S. 532

To provide public works and infrastructure investment financing.

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 17 (legislative day, FEBRUARY 14), 1983

Mr. DOMENICI (for himself, and Mr. BRADLEY, Mr. ANDREWS, Mr. GORTON, and Mr. RANDOLPH) introduced the following bill; which was read twice and referred to the Committee on Envionment and Pulbic Works

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# A BILL

To provide public works and infrastructure investment financing.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

## TITLE I—GENERAL PROVISIONS

### SHORT TITLE

SECTION 101. This Act may be cited as the "Public Investment Incentive Act of 1983".

### FINDINGS

SEC. 102. The Congress finds that—

(1) the need to maintain, repair, and build certain public works' capital investments are required for economic growth of the Nation, and the major purpose of

public capital investment should be for sustained long-term economic growth and therefore for the general public welfare;

(2) there is diversity in public capital investment needs and therefore no single solution should be sought to meet those needs, but rather public policy should permit flexible and diverse responses;

(3) the majority of public capital investment projects are State and local in focus, and that therefore, the major focus of Federal public policy should be to provide an incentive for effective State and local capital investment decisions with minimal Federal investment; and

(4) private investment capital should play the predominant role in meeting public capital needs and the Federal role should be to facilitate the flow of private investment capital through existing municipal markets to meet the long-term public investment needs.

### DEFINITIONS

SEC. 103. For the purposes of this Act—

(1) the term "Council" means the National Infrastructure Council established by section 302;

(2) the term "State Infrastructure Bank" means an institution which is established to finance public investment projects in accordance with title II;

(3) the term "general obligation bond" means a bond secured by the pledge of the issuer's full faith, credit, and taxing power;

(4) the term "public investment projects" means the physical structures and facilities developed or acquired by public agencies to provide water, waste disposal, resource recovery, transportation, and similar services to facilitate the achievement of common social, environmental, and economic objectives, and are capable of producing user income to service debt or loans issued to finance the project;

(5) a "revenue bond" is a security issued and payable solely from net or gross nontax or tax revenues derived from tolls, charges, or rents paid by users of the facility constructed with the proceeds of the bond issue;

(6) the term "Secretary" means the Secretary of the Treasury; and

(7) the term "State" means any State of the United States, the District of Columbia, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Marianas, and the Virgin Islands.

# TITLE II—CAPITALIZATION OF STATE INFRASTRUCTURE BANKS

## SHORT TITLE

SEC. 201. This title may be cited as the "Federal-State Infrastructure Partnership Program Act".

## CONGRESSIONAL FINDINGS

SEC. 202. (a) The Congress finds and declares that to promote the public welfare it is appropriate to foster and promote the provision of adequate capital for the financing of public capital investments, to assist States and other governmental units in fulfilling their needs for improvements, and to encourage continued investor interest in the purchase of bonds or notes of those States and governmental units as sound and preferred securities for investment.

(b) The Congress finds that it is in the public interest to encourage State and other governmental units to address their public infrastructure capital needs independent of Federal involvement, but that Federal policies should assist them therein by helping make funds available at reduced interest costs for the orderly financing of public infrastructure capital investments.

(c) It is, therefore, the purpose of this title to encourage the establishment of State Infrastructure Banks or comparable financing mechanisms which will, through a broad variety of financing techniques, assist the public infrastructure capital needs of the State and its local municipalities.

CAPITALIZING BANKS

SEC. 203. (a)(1) If, upon the petition by a State and upon review by the Council, as authorized and established under title III, the Council finds no later than 60 days following the date of a State's petition that a State has established a public body corporate to be known as a State Infrastructure Bank, constituted as an instrumentality of the State or a comparable financing mechanism within the existing State structure, with powers including those specified in subsection (c) of this section, the Secretary is authorized to allocate to the State which has entered into an agreement with the Secretary under section 204 an apportionment of its share of $5,000,000,000 authorized to be appropriated for fiscal year 1984; an apportionment of its share of $3,000,000,000 authorized to be appropriated for fiscal year 1985; an apportionment of its share of $2,000,000,000 authorized to be appropriated for fiscal year 1986.

(2) Any sums appropriated pursuant to this section shall be available through September 30, 1991, for apportionment pursuant to subsection (b) and for payments of Federal capital contributions therefrom to States. Such apportionments shall be used only for the establishment, expansion, and maintenance of a State capital public investment loan fund.

(b) As specified under section 304(c) of this Act, the Council shall determine the apportionment of funds to Banks or comparable financing mechanisms establishing procedures for apportionment that are consistently applied and reflect the distribution of public investment project needs.

(c) Except as otherwise limited by State law or by this Act, Banks or comparable financing mechanisms may—

(1) make and contract to make loans including no-interest loans to governmental units and acquire and contract to acquire notes and bonds issued or to be issued by governmental units to evidence those loans, all upon such terms and conditions not inconsistent with the principles of this title;

(2) buy and refinance the debt obligations of municipalities within the State at or below market rates;

(3) guarantee, or purchase insurance for, local obligations where such action would improve credit market access or reduce interest rates of weaker credits;

(4) issue blended-rate loans to municipalities to reduce debt service or loan interest costs; and

(5) provide governmental units such financial and credit advice as they may request.

### AGREEMENTS WITH STATES

SEC. 204. (a) To receive funds under this title, a State shall enter into an agreement with the Secretary which shall include but not be limited to the specifications set forth in subsection (b) of this section.

(b) An agreement under this section shall—

(1) provide for the establishment of a public capital investment revolving fund;

(2) provide assurances that the funds will be used in an expeditious and timely manner to realize the purposes of this Act;

(3) provide that such loans will be made at or below market rates, and may include no-interest loans, at terms not to exceed twenty years;

(4) provide that annual principal payments shall be made commencing one year after completion of any project and that all loans shall be fully amortized not later than twenty years after project completion;

(5) provide that any interest accruing to the fund shall be credited to the fund; and

(6) provide assurances that the fund will be established, maintained, and credited with repayments, and that the fund balance shall be available in perpetuity for the funding of new projects.

(c) Amounts contributed under section 203(a) shall—

(1) be available to make loans to governmental units based on specified interest rates and requirements of repayment;

(2) be available to blend with other State or local funds to reduce market interest rates for capital infrastructure investments; and

(3) not be available for the Bank's administrative expenses, including litigation or other expenses in connection with the revolving fund's operation.

(d) Funds provided the State under this title will be audited by the State annually and a report will be provided to the Secretary.

### CLEAN WATER ACT AMENDMENTS

SEC. 206. (a) Section 205 of the Clean Water Act is amended by adding at the end thereof the following:

"(l)(1) Notwithstanding any other provision of this title, any sums allotted to States for fiscal years 1984, 1985, and 1986, may be used under section 304 of the Public Investment Incentive Act of 1983 for loans to municipalities to construct cost effective wastewater treatment works to meet the enforceable requirements of this Act. The States will be solely responsible for setting loan priorities and the loans shall be limited to categories of treatment works projects eligible for funding under section 201(g)(1) of this Act and shall not cover costs beyond those allowable under grants for treatment works funded under section 201(g)(1) of this Act.

"(2) If a State uses all of its annual allotment for loans, there shall be no funds set aside or reserved under this section. If a State chooses to maintain a grant program under this title with some portion of the funds allotted under this section, the set asides or reserves required under this section shall be reduced by the same percentage as the total allotment is reduced for the loan program.

"(3) Sums allotted to States and used in a loan program shall be transferred to the States in one payment at the time of allotment and these funds shall not be subject to reallotment.

"(4) Any State making loans from funds allotted under this section shall annually prepare and submit to the Environmental Protection Agency a summary of its loan activities with title II funds. This summary shall include descriptions of the projects funded, the amount of each loan, interest and repayment schedules on each loan (if any), and loan status at the time this annual summary is prepared.".

### CLARIFICATIONS

SEC. 207. (a). Nothing in this Act shall alter the requirements of the National Environmental Policy Act (42 U.S.C. 4343), the Fish and Wildlife Coordination Act (16 U.S.C. 661), the Endangered Species Act (16 U.S.C. 1530 et seq.), or title III of the Clean Water Act (33 U.S.C. 1311–1328).

(b) Municipal projects receiving loans as a result of this Act shall incorporate the best available technique for the conservation of water.

## TITLE III—NATIONAL INFRASTRUCTURE COUNCIL

### SHORT TITLE

SEC. 301. This title may be cited as the "National Infrastructure Council Act".

### STATEMENT OF PURPOSE OF COUNCIL

SEC. 302. (a) There is established a National Infrastructure Council which shall be an instrumentality of the United States.

(b) The Council shall be governed by a Board of Directors, which may issue such rules and regulations as may be necessary for the effective business operation of the Council.

(c) The function of the Council shall be to assure that the provisions of this Act are being effectively and efficiently administered, and such regulations or policies issued as a result of this Act are consistent with, or coordinated to, other applicable Federal Statutes, policies, and regulations.

(d) The Council shall ensure that States establishing State Infrastructure Banks for the purpose of title II of this

Act shall follow acceptable accounting procedures for the purposes of conducting required Federal audits and reviews.

(e) The Council is authorized to provide such technical assistance, informational, and educational activities as it deems necessary to provide State and local municipalities with access to Federal, State, local, and private resources to meet public capital investment needs.

BOARD OF DIRECTORS

SEC. 303. (a) The Board of Directors of the Council shall consist of—

(1) the Secretary of the Treasury;

(2) the Administrator of the Environmental Protection Agency;

(3) the Secretary of Transportation;

(4) the Chairman of the National Governors Association;

(5) the President of the National Conference of State Legislatures;

(6) the President of the National League of Cities;

(7) the President of the United States Conference of Mayors; and

(8) two members representing the private contracting and construction industry to be appointed by the President; these two members will not be author-

ized to vote on the final allocation formula as specified in Section 304(b).

(b) The Secretary of the Treasury shall serve as the Chairman of the Board of Directors.

(c) The term of office of each member of the Council shall coincide with his tenure in the elected or appointed position that qualified him for membership on the Council.

(d) The Board of Directors of the Council is authorized to create a staff with an Executive Director and to request appropriations for the administration of the Council and its activities.

### SPECIFIC RESPONSIBILITIES OF THE COUNCIL

SEC. 304. (a) The Council shall develop and issue guidelines, planning material, and other forms of technical assistance to issuing agents, governing financial management and capital budgeting practices.

(b) The Council shall be responsible for determining the apportionment of funds to States authorized by title II of this Act; subject to the review by the Congress. The Council shall submit to the Congress the proposed allocation formula for title II funds, and this formula shall become operative unless disapproved by both Houses of the Congress forty-five days after its submission to them.

(c) The Council shall review existing Federal-State public investment grant and loan programs and make such recommendations to the Congress as it deems appropriate to authorize such grant and loan programs to be administered and managed through the State Infrastructure Banks as established by title II.

### ANNUAL REPORT

SEC. 305. (a) The Council shall develop and transmit to the Congress an annual report of its activities and containing an assessment of the status of municipal finance conditions utilizing existing secondary data to display—

(1) a summary of municipal bond sales (classified by general obligation and revenue bonds and short and long term) and other municipal financing activities for State and local transportation, environmental, water supply, water quality, water resources, and other areas;

(2) a summary of the amount and types of direct Federal assistance to States and localities for transportation, environmental, water supply, water quality, water resources, resource recovery, and other areas; and

(3) an assessment of the achievements and deficiencies in total public investments.

(b) The annual report submitted under subsection (a) shall also include, to the extent possible through existing data sources, a presentation of capital investments and spending by Federal, State, and local governments for the prior year of the annual report. The capital investments presentation shall identify by State, expenditures classified by type of public infrastructure investments.

(c) There are authorized to be appropriated to the Council $2,000,000 annually to carry out the purposes of this title.

### IMPLEMENTATION SCHEDULE

SEC. 306. The provisions of this Act shall be implemented no later than ninety days following the date of enactment.

II

98TH CONGRESS
1ST SESSION

# S. 724

To authorize the United States Army Corps of Engineers to undertake activities to provide new public works investment, grants to the several States to encourage and foster the construction of necessary public capital investment projects, to assist in creating new and productive jobs, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MARCH 8 (legislative day, MARCH 7), 1983

Mr. STAFFORD (for himself and Mr. RANDOLPH) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

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# A BILL

To authorize the United States Army Corps of Engineers to undertake activities to provide new public works investment, grants to the several States to encourage and foster the construction of necessary public capital investment projects, to assist in creating new and productive jobs, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Public Investment/Jobs Act of 1983".

# TITLE I—PUBLIC CAPITAL INVESTMENT

## FINDINGS AND DECLARATIONS

SEC. 101. (a) The Congress finds and declares that—

(1) a sustained program of public capital investment is essential for the Nation's continued prosperity and long-term economic vitality;

(2) building, rehabilitation, and maintaining the Nation's public capital investment will produce jobs during the period of construction, and then create long-term economic efficiencies that benefit the economy and all Americans; and

(3) the annual expenditure by the American people for new or renovated public capital investment projects has declined in recent years by more than 50 per centum, as a percentage of the gross national product.

(b) It is, therefore, the policy of the United States that—

(1) the declining trend in public capital investment should be reversed;

(2) any strategy for wise public capital investment must be long range and sustained;

(3) because of climatic, historic, and economic differences, the several States can more effectively estab-

lish realistic priorities for most public capital investment decisions than the Federal Government; and

(4) any long-term public capital investment program should involve a partnership between the Federal Government and other levels of government.

SEC. 102. The Secretary of the Army, acting through the Chief of Engineers (hereinafter in this title referred to as the "Secretary"), is authorized to make grants to any State under procedures established by the Secretary pursuant to this title for the purpose of the construction or rehabilitation of public capital investment projects.

SEC. 103. (a)(1) Any State may submit to the Secretary an application for a public capital investment grant under this title. Such application shall contain information, as the Secretary shall require, to determine that—

(A) moneys granted to the State will be utilized exclusively for the purpose of improving the public capital investment in such State;

(B) the State will contribute annually from non-Federal revenues a sum no less than the moneys it receives annually under this title, with such State moneys to be used exclusively for the purposes of improving the public capital investment in such State;

(C) moneys granted to the State under this title, or provided by the State to meet the requirements of this title, will be placed in an appropriate fund (hereinafter in this title referred to as the "Fund") established pursuant to State law, and will be utilized exclusively to construct or rehabilitate public capital investment projects undertaken as a result of a plan developed by such State, after public hearings, that establishes priorities and is applicable to such investments throughout such State;

(D) the State requires repayment into the Fund of user charges or other payments sufficient to maintain such Fund for the foreseeable future so that the Fund will continue to be available to finance public capital investments throughout such State following the termination of this title;

(E) the State requires that any project constructed or rehabilitated using funds provided by this title will be maintained and repaired on a scheduled basis during its useful life, utilizing moneys other than those available under the terms of this title;

(F) the State has established, in connection with projects to be financed under the terms of this title, training programs satisfactory to the Secretary that are designed to assure that work on the design, construction, rehabilitation, maintenance, repair, and operation of projects constructed with moneys made available under this title are fully available to women and persons of ethnic or racial groups that are considered economically disadvantaged, including a provision of child-care facilities available to persons employed on such project;

(G) the State will permit access, on a reasonable basis, to representatives of the Secretary to review the operation of the Fund in order to assure the State's compliance with this section; and

(H) if such State contains one or more cities with a population exceeding 250,000, that such city or cities shall be assured over any five-year period the receipt of its proportional share of the moneys in the State Fund, based on the city's population as a percentage of the population of the State.

(2) Whenever the Secretary finds that a State has met the requirements under paragraph (1) of this subsection, the Secretary shall within thirty days approve the application, and such States shall receive a grant under the terms of this title.

(b)(1) Once approved for a grant under this title, a State shall receive subsequent annual grants under this title, provided the Secretary does not find, as a result of periodic audits pursuant to subsection (a)(1)(G) of this section, that such State has failed to maintain its program substantially as originally proposed.

(2) Whenever the Secretary finds under paragraph (1) of this subsection that a State has failed to maintain its program substantially as originally proposed, the Secretary shall withdraw approval of the grant, and refuse to make any additional grants to such State under this title until such State has submitted a new application under this title, and such application is reviewed and approved by the Secretary under the terms of this section.

(c) Moneys received by a State under this title may be utilized by the State, or loaned to any local unit of government in such State, for the purposes of public capital investments.

(d) Following consideration of the requirements of subsection (a)(1)(H) of this section, two or more States may utilize moneys deposited in the Funds in such States for use to finance a regional authority, if the primary purpose of such authority is to construct, and rehabilitate public capital investments of a regional character.

SEC. 104. (a) Sums appropriated under this title shall be made available to the States on the basis of a formula, established by the Secretary, based 50 per centum on the population of the State as a percentage of the population of all the States, and 50 per centum on the basis of the paved highway mileage in the State as a percentage of the paved highway mileage in all the States: *Provided, however,* That no State identified under section 401(a)(6)(A) of this Act shall receive less than one-half of 1 per centum of the funds made available annually under this title, if such State's application is approved by the Secretary.

(b)(1) Sums allocated to any State in any given fiscal year, for which an application is not received from such State for such sums, shall be returned to the Treasury of the United States on the first day of the succeeding fiscal year.

(2) Sums allocated to any State in any given fiscal year, for which an application for such sums is not approved by the Secretary, shall be returned to the Treasury of the United States on the final day of the succeeding fiscal year.

SEC. 105. (a) Each Federal agency shall review and, where necessary, revise its rules and regulations to assure, consistent with existing law, that any permit to be issued by the United States will be reviewed and acted upon expeditiously when such permit is necessary for the repair or rehabilitation of any public capital investment undertaken by a non-Federal public body.

(b) The Secretary, together with other appropriate Federal officials, shall seek to develop and publish criteria and information on techniques for establishing inventories of existing and needed public capital improvements that will be consistent among Federal agencies, the several States, and other levels of government.

SEC. 106. Of those sums made available annually to the Secretary pursuant to this title, one-quarter of 1 per centum shall be allocated by the Secretary to support research and development activities intended to augment the cost-effectiveness of the Nation's system of public capital investments. The Secretary may, under this section, contract with appropriate non-Federal research organizations.

SEC. 107. On April 15 of the year following enactment of this Act, and on each April 15 thereafter, the Secretary shall report to Congress on the disbursement of funds under this title, and the use of those funds by participating States.

SEC. 108. In section 205 of the Clean Water Act, add a new subsection as follows:

"(l)(1) Notwithstanding any other provision of this title, any sums allotted to the States for the fiscal year ending September 30, 1983, the fiscal year ending September 30, 1984, and the fiscal year ending September 30, 1985, may be utilized for revolving loans or grants or combinations thereof for the construction of waste water treatment works, provided that the funding of such works meets with all applicable regulations concerning project eligibility and priorities for funding of the Administrator of the Environmental Protection Agency. Repayment of these loans shall be made to the States and the funds repaid may be used for additional loans or grants or combinations thereof, pursuant to this subsection.

"(2) Sums allocated to the States to be used in revolving loan programs shall be made available in total as grants to States at the time of allotment."

SEC. 109. There is authorized to be appropriated to the Secretary for the purposes of this title, including necessary administrative expenses, the sum of $5,000,000,000 for each of the fiscal years beginning with the fiscal year ending September 30, 1985, through the fiscal year ending September 30, 1994, with such sums to remain available until expended.

SEC. 110. Except for the provisions of sections 105 and 108 of this title, the authorities of this title shall terminate on October 1, 1994.

SEC. 111. This title shall be termed the "Public Capital Investment Act of 1983."

## TITLE II—ECONOMIC STABILIZATION AND JOB CREATION

SEC. 201. (a) The purposes of this title are—

(1) to maintain the national economy, particularly in rural areas, at a level sufficient to serve the best interests of the United States;

(2) to establish a framework within which Federal, State, and local governments can combine their re-

sources to achieve economic development in all regions of the Nation;

(3) to assist in the creation of a strong investment climate promoting economic development and job opportunities for local communities and their residents;

(4) to help various regions, areas, and communities that suffer from substantial and persistent unemployment and underemployment to take steps that are effective in planning and financing needed public capital investments essential for growth and development;

(5) to facilitate local and regional economic adjustment and economic development diversification in changing local and national economies through coordinated long-range planning and Federal grant assistance; and

(6) to provide new employment opportunities by developing and expanding new and existing public works and other facilities.

(b) The Congress, therefore, declares that, in furtherance of maintaining the national economy—

(1) the assistance authorized by this title should be made available in rural areas as well as in those urban areas suffering from unusually high rates of unemployment;

(2) that such assistance be available for planning for economic development prior to the occurrences of economic distress so as to avoid such condition; and

(3) that such assistance be used for long-term economic revitalization in areas where long-term deterioration of the economy has occurred or is taking place.

SEC. 202. (a) Upon the application of a State, economic development district, local unit of government, or Indian tribe, the Secretary of the Army, acting through the Chief of Engineers, (hereinafter in this title referred to as the "Secretary"), is authorized to make a grant for a portion of the cost, as provided under subsection (b) of this section, of a project for public capital investment or development facility usage, if he finds that the project—

(1) will improve the opportunities in the project area for the location of job creation facilities,

(2) will otherwise assist in creating long-term employment opportunities,

(3) will fulfill a pressing need of the area for which the grant is being sought, and

(4) is part of a local investment strategy on file with the Secretary for the area.

(b) The amount of any grant under this section for any project shall not exceed 50 per centum of the cost of such project, except that any such grant shall not exceed 80 per centum in the case of an Indian tribe.

(c) Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

(d) There is authorized to be appropriated to the Secretary, to carry out the provisions of this section, not to exceed $150,000,000 for each fiscal year ending September 30, 1984, through the fiscal year ending September 30, 1988.

SEC. 203. (a) A State may apply for a grant under this title for an eligible project within any local unit of government within the State, other than a local unit of government with a population of 50,000 or more, if such unit meets the requirements of section 204 of this title and is not within the boundaries of an economic development district.

(b) A local unit of government within a State, other than an urban area with a population of 50,000 or more, which meets the requirements of section 204 of this title and is not within the boundaries of an economic development district, may apply for a grant under this title for an eligible project within such unit.

(c) An economic development district may apply for a grant under this title for an eligible project within any local unit of government within such district, if such unit meets the requirements of section 204 of this title.

(d) A local unit of government within an economic development district may apply for a grant under this title for an eligible project within such unit if such unit meets the requirements of section 204 of this title.

(e) An Indian tribe may apply for a grant under this title.

(f) A local unit of government with a population of 50,000 or more, which has an unemployment rate 3 percentage points above the national average percentage for the most recent twenty-four-month period for which statistics are available, may apply for a grant under this title.

SEC. 204. (a) In order to be eligible for a grant under this title, the applicant must certify that any activity or project to be funded under such grant will be carried out or located in an area which meets any one of the following criteria:

(1) the area has a per capita income of 80 per centum or less or the national average;

(2) the area has an unemployment rate 1 percentage point above the national average percentage for the most recent twenty-four-month period for which statistics are available; or

(3) the area has experienced or is about to experience a sudden economic dislocation resulting in job loss that is significant, both in terms of the number of jobs eliminated and the effect upon the employment of the

area, and which, in the judgment of the Secretary, is likely to persist.

(b) Documentation of distress shall be supported by Federal data, when available, and in other cases by data available through the State government. Such documentation shall be accepted by the Secretary unless it is determined to be inaccurate. The most recent statistics available must be used.

SEC. 205. (a) In carrying out his duties under this title, the Secretary is authorized to provide technical assistance that would be useful in alleviating or preventing conditions of excessive unemployment or underemployment—

(1) to areas eligible for assistance under section 204, and

(2) to other areas that he finds have substantial need for such assistance.

Such assistance shall include project planning and feasibility studies and studies evaluating the needs of, and development potential for, economic growth of such area.

(b) There is authorized to be appropriated to the Secretary, to carry out this section, not to exceed $10,000,000 for each of the fiscal years ending September 30, 1984, through September 30, 1988.

SEC. 206. (a) The Secretary is authorized, upon application of any State, local unit of government, Indian tribe, or economic development district, to make a grant to such applicant to pay up to 80 per centum of the cost for economic development planning. The planning assisted under this section shall include systematic efforts to reduce unemployment and increase local economic activity. Such planning shall be a continuous process involving public officials and private citizens in analyzing local economies, defining development goals, determining project opportunities, and formulating and implementing a development program.

(b) The development plan prepared under this section shall be submitted to the Secretary and updated from time to time as necessary. Project applications approved under section 202 must be consistent with the development plan submitted to the Secretary.

(c) There is hereby authorized to be appropriated to the Secretary to carry out this section not to exceed $40,000,000 for each of the fiscal years ending September 30, 1984, through September 30, 1988.

SEC. 207. For the purposes of this title—

(a) the term "economic development district" means—

(1) an economic development district designated on or before January 1, 1983, under section 403(a)(1) of the Public Works and Economic Development Act of 1965; and

(2) any district within a State which is designated by the Secretary, which district is of sufficient size or population and contains sufficient resources to foster economic development on a scale involving more than one county and does not contain within its boundaries any part of another economic development district designated under paragraph (1) or under this paragraph; and

(b) the term "Indian Tribe" means the governing body of a tribe, an Indian authority or tribal organization or entity, an Alaskan Native village, or any Indian group which is recognized as an Indian tribe by the Secretary of the Interior.

SEC. 208. There is authorized to be appropriated to the Secretary for salaries and administrative expenses to carry out the provisions of this title the sum of $25,000,000 for each of the fiscal years ending September 30, 1984, through the fiscal year ending September 30, 1988. Appropriations authorized under this section shall remain available until expended, unless otherwise provided by appropriations acts.

SEC. 209. The Public Works and Economic Development Act of 1965, as amended, is hereby repealed.

SEC. 210. This title may be cited as the "Economic Stabilization and Job Creation Act of 1983".

# TITLE III—STANDBY PUBLIC INVESTMENT

## CONGRESSIONAL FINDINGS AND DECLARATIONS

SEC. 301. (a) The Congress finds that—

(1) the state of the public capital investment of the Nation is critical to the economic welfare of the Nation;

(2) the Nation's economic strength is determined to a great extent by the economic vitality of its regions, States, and communities, and the status of the public capital investment in such States, regions, and communities;

(3) the maintenance of economic vitality serves the interest of the Nation and its citizens;

(4) unemployment, whether cyclical or permanent, produces great hardship for people; and

(5) government at all levels must be responsive to public need.

(b) In recognition of the findings in subsection (a) of this section, the Congress declares there is a need to—

(1) reverse decades of neglect in the public capital investment, and

(2) create a standby countercyclical program that will contribute to the renovation of public capital investments and long-term economic vitality to utilize the Nation's resources and manpower more effectively

by employing them at a time when they would otherwise stand idle.

PLANNING AND TECHNICAL ASSISTANCE

SEC. 302. (a) The Secretary of the Army, acting through the Chief of Engineers (hereinafter in this title referred to as the "Secretary"), is authorized to provide technical and planning assistance to States, local units of government, and Indian tribes for the development of long-range plans and programs for the construction, rehabilitation, and repair of public capital investment projects.

(b) A State, local unit of government, or Indian tribe may submit to the Secretary an application for a grant for planning or technical assistance, and upon a satisfactory showing that the status of its public capital investment is threatened with deterioration, receive such assistance.

(c) Grants under this section shall be used, to the maximum extent possible, to develop an investment plan designed to coordinate future investment in public capital investment projects with economic development, the creation of jobs, and activities under titles I and II of this Act.

(d) For the purposes of this section, there is authorized to be appropriated to the Secretary, for each of the fiscal years ending September 30, 1984, through September 30, 1988, the sum of $20,000,000, to remain available until expended.

AUTHORIZATIONS

SEC. 303. (a) There is established in the Treasury of the United States a "Counter-Cyclical Trust Fund" (hereinafter in this title referred to as the "Trust Fund"), consisting of the funds appropriated under the terms of this section: *Provided,* That, the balance in the Trust Fund shall not accumulate in excess of $2,000,000,000.

(b) For the purposes of this section, there is authorized to be appropriated to the Secretary, for immediate transfer to the Trust Fund, the sum of $200,000,000 in each of the fiscal years ending September 30, 1984, through September 30, 1993, together with such additional sums as may be necessary to fulfill the purposes of this title, subject to the limitation contained in subsection (a) of this section.

(c)(1) Sums in the Trust Fund shall become available to the Secretary for distribution to approved projects following a declaration under the terms of section 306(b) of this title.

(2) Following a declaration under the terms of section 306(b) of this title, the Secretary shall utilize all of the moneys in the Trust Fund, or such portion of the Trust Fund as he deems necessary, to fulfill the purposes of this title.

(3) No project shall receive funds from the Trust Fund unless such funds can be fully obligated within one year of the date such funds are made available.

### STANDBY CAPITAL GRANTS

SEC. 304. (a) The Secretary is authorized to agree to make grants for the repair, rehabilitation, or construction of public capital investments upon the application of any State, local unit of government, or Indian tribe. Such grants shall become available during the six-month period following a declaration under the terms of section 306(b) of this title.

(b) The percentage of any grant under this section shall not exceed 75 per centum of the cost of the work to be undertaken.

(c) Eligible public capital investments under this title include, but are not limited to:

(1) sewers and wastewater treatment facilities,

(2) stormwater collection systems,

(3) water treatment and distribution facilities,

(4) solid waste disposal facilities,

(5) urban streets, bridges, and roads not included on the Federal aid system of highways,

(6) sidewalks,

(7) public transportation facilities (excluding rolling stock),

(8) parks,

(9) schools,

(10) libraries, and

(11) publicly owned historical properties and museums.

(d) Projects eligible for grant assistance under this section must be contained in any investment plan developed by a State under the terms of section 302(c) of this title, and have designs, specifications, and engineering acceptable to the Secretary. Such project must also be capable of having the funds for such project obligated fully within six months of the receipt of its grant.

### ELIGIBILITY REQUIREMENTS AND TRIGGER

SEC. 305. The Secretary shall, prior to approving any project for a State, local unit of government, or Indian tribe, determine that—

(a) the project is part of an areawide countercyclical investment plan, developed under the terms of section 302(c) of this title;

(b) the area at the time of application, is suffering economic problems, as measured for the most recent six months for which data is available from the Bureau of Labor Statistics:

(1) per capita income that is 80 per centum or less of the national average, and

(2) unemployment has been, on average, 1 percentage point or more above the national average; and

(c) the applicant has not postponed its ongoing local public capital investment activity, or the maintenance and rehabilitation thereof.

PROGRAM TRIGGER

SEC. 306. (a) The Secretary shall accept applications from jurisdiction eligible under the terms of section 305(b) of this title, in accordance with the provisions of section 304 of this title, whenever the Secretary determines that the Index of Total Industrial Production has declined for three consecutive months.

(b) Funds for the purposes of section 304 of this title shall be made available whenever the Secretary makes a finding, and publishes notification thereof in the Federal Register, that the rate of total civilian unemployment exceeds by at least 1½ percentage points the prevailing rate of unemployment recorded during the first month of observed decline in the Index used to initiate applications under the terms of subsection (a) of this section: *Provided*, That the specified increase in the rate of unemployment shall occur during a period not to exceed nine months.

SHORT TITLE

SEC. 307. This title may be cited as the "Standby Public Investment Act of 1983".

# TITLE IV—HISTORIC SITES

## FINDINGS AND PURPOSES

SEC. 401. (a) The Congress finds that—

(1) the use of buildings and structures with an historical character, as well as the renovation of such buildings and structures for productive reuse, preserves and enhances the culture of the United States, while conserving energy and material;

(2) projects for the preservation of historic buildings and structures utilize the labor of this Nation more efficiently than many other types of activity;

(3) projects for historic preservation often restore vitality to urban and rural areas that have become economically depressed; and

(4) projects for historic preservation can be initiated more expeditiously than new construction because renovation is less likely to be delayed by seasonal factors or site preparation.

(b) It is, therefore, the purpose of this title to stimulate the creation of productive jobs, enhance economic recovery, and to preserve the best of the Nation's cultural environment by—

(1) rehabilitating buildings, structures, districts, sites, and objects that have been significant in the his-

tory, architecture, and culture of the United States, and

(2) improving the public capital investment that supports such resources.

SEC. 402. (a) The sum of $500,000,000 is authorized to be appropriated to the Secretary of Interior (hereinafter in this title referred to as the "Secretary") to be allocated among the States for the fiscal year ending September 30, 1984, or thereafter, such sums to remain available until expended.

(b) The sums authorized by this section shall be allocated among the States by the Secretary as follows:

(1) 25 per centum of such funds shall be divided equally among the States, provided that the areas cited in section 601(a)(6)(B) of this Act shall be considered as one State for the purposes of this paragraph;

(2) 25 per centum of such funds shall be distributed on the basis of population of each State; and

(3) 50 per centum of such funds shall be distributed on the basis of the number of persons unemployed in each State, as of the date of enactment of this Act, as a percentage of all persons unemployed as of such date.

(c) Projects eligible for funding under this title shall include, as their primary purpose, the rehabilitation, restoration, stabilization, maintenance, or reconstruction of—

(1) properties (including districts, buildings, sites, objects, and structures) that have been designated by the Secretary as a National Historic Landmark,

(2) properties listed in, or eligible for listing in, the National Register of Historic Places,

(3) properties, as determined by the appropriate State Historic Preservation Officer (designated pursuant to section 101(b) of the National Historic Preservation Act of 1966, as amended), in conjunction with a State historic preservation review board (defined pursuant to section 301(12) of the National Historic Preservation Act of 1966, as amended), that meet substantially the criteria for listing of properties in the National Register of Historic Places,

(4) properties determined by the appropriate State Historic Preservation Officer, in conjunction with a State historic preservation review board (defined pursuant to section 301(12) of the National Historic Preservation Act of 1966, as amended), to contribute to the historic significance of a district listed in, or eligible for listing in, the National Register of Historic Places, or a district determined by the appropriate State Historic

Preservation Officer that meet substantially the criteria for listing in the National Register of Historic Places, or

(5) public facilities, including streets, sidewalks, lighting, and public areas (including parks and playgrounds) that, in the opinion of the State Historic Preservation Officer, directly contribute to the vitality of historic properties.

(d) No project shall be eligible for funds under this title unless—

(1) the State and owner of the property agrees to conduct all work in a manner consistent with the Secretary's "Standards for Historic Preservation Projects," and

(2) the owner of the property conveys to the State a binding agreement to preserve and maintain the historic elements of a property for which assistance is given pursuant to this title for a period of not less than twenty-five years.

(e) In selecting projects under this title, States shall give priority to projects that—

(1) provide the greatest number of jobs per dollar invested, and attract the greater share of private investment for each Federal dollar invested;

(2) utilize vacant or underutilized properties, including public buildings, schools, and factories,

(3) provide training opportunities related to the rehabilitation of buildings and other structures for persons who are unemployed and underemployed;

(4) provide maximum opportunity for existing residents to participate in the revitalization of their community;

(5) contribute to comprehensive strategic that help to minimize any anticipated displacement of existing neighborhoods or residents, and

(6) contribute to comprehensive strategies that will revitalize commercial areas.

(f) Not more than 5 per centum of the allocation to any State or the National Trust for Historic Preservation under this title may be devoted to administrative costs.

(g) Funds under this title may be used for direct grants, matching grants, loans, revolving funds, and other forms of assistance: *Provided,* That any funds repaid to a State under this subsection are devoted thereafter solely to projects of the type that are eligible for funding under this title.

(h) No funds shall be provided for more than 50 per centum of the aggregate amount of all grants made pursuant to this title within any State during any fiscal year.

(i) State Historical Preservation Officers shall have sole discretion to select projects under this section, provided each such project meets the eligibility requirements established by title.

SEC. 403. The sum of $25,000,000 is authorized to be appropriated to the Secretary for transfer to the National Trust for Historic Preservation: *Provided,* That such sums will be distributed by the National Trust to nonprofit neighborhood-based organizations for housing and community economic development projects assisted by the "Inner City Ventures Fund," administered by the National Trust.

SEC. 404. The Secretary shall allocate funds authorized by this title within thirty days of the receipt of such funds, and monitor implementation of the program. The Secretary shall deny funds to any State that fails to meet the requirements of this title.

SEC. 405. In cooperation with the National Trust for Historic Preservation and the National Conference of State Historic Preservation Officers, the Secretary shall study, monitor, and review the program established by this title and make recommendations to the President and the Congress as to future authorization for this program.

SEC. 406. Any State shall be eligible to receive funds under this title if—

(a) at the time of the allocation of funds, such State has a State historic preservation program approved by the Secretary pursuant to section 101(b)(1) of the National Historic Preservation Act of 1966, as amended; and

(b) the State has certified that it will abide by the terms and priorities established for the program established by this title.

SEC. 407. Each State shall encourage, to the maximum extent feasible, review and comment from elected public officials of the area in which any proposed project under this title exists. States shall actively encourage public participation in the project selection process.

SEC. 408. The Advisory Council on Historic Preservation shall provide for an expedited process to comment, pursuant to the requirements of section 106 of the National Historic Preservation Act of 1966, as amended, on projects proposed for funding under this title.

SEC. 409. This title may be cited as the "Historic Sites Development and Jobs Act of 1983".

## TITLE V—YOUTH EMPLOYMENT

### STATEMENT OF PURPOSE

SEC. 501. It is the purpose of this title to establish a community conservation and improvement program and a Young Adult Conservation Corps to provide eligible youths with employment, work experience, skill training, and community service opportunities.

## PART A—YOUTH COMMUNITY CONSERVATION AND IMPROVEMENT PROJECTS

### DEFINITIONS

SEC. 511. As used in this part—

(1) The term "community-based organization" has the same meaning given that term by section 4(5) of the Job Training Partnership Act.

(2) The term "community improvement project" means any project providing work which would not otherwise be carried out, including, but not limited to—

(A) the rehabilitation or improvement of public facilities;

(B) neighborhood improvements including the creation or renovation of urban parks;

(C) projects involving replacing asbestos in public elementary and secondary schools;

(D) weatherization and basic repairs to low-income and elderly housing;

(E) moderate rehabilitation for low-income and elderly housing (to include the removal of ureaformaldehyde foam insulation);

(F) projects designed to improve the lives of elderly or low-income individuals or families;

(G) projects involving the control of rodents;

(H) energy conservation including solar energy techniques, especially those utilizing materials, and supplies available without cost;

(I) removal of architectual barriers to access, by handicapped persons, to public facilities and polling places; and

(J) conservation, maintenance, or restoration of natural resources on publicly held lands other than Federal lands.

(3) The term "eligible applicant" means—

(A) any eligible entity receiving assistance under the Community Services Block Grant Act in fiscal year 1983,

(B) any successor agency to such eligible entity qualified to receive assistance under the Community Services Block Grant Act in succeeding fiscal years;

(C) any sponsor of Native American programs qualified under section 401 of the Job Training Partnership Act; and

(D) and any sponsor of migrant and seasonal farmworkers programs qualified under section 402 of the Job Training Partnership Act.

(4) The term "eligible project" means any project—

(A) which is a community improvement project;

(B) which can be initiated or strengthened within a reasonable period of time; and

(C) a substantial portion of which can be completed within twelve months after financial assistance under this part is received by an eligible applicant.

(5) The term "eligible youth" means any individual who is unemployed and, at the time of entering employment under this part, age sixteen to nineteen, inclusive.

(6) The term "institution of higher education" has the same meaning given that term by section 1201(a) of the Higher Education Act of 1965.

(7) The term "local educational agency" has the same meaning given that term by section 1001(f) of the Elementary and Secondary Education Act of 1965.

(8) The term "project applicant" means—

(A) any State and public agency thereof,

(B) any unit of general local government and any agency thereof,

(C) any combination or association of such governmental units when the primary purpose of such combination or association is to assist such governmental units to provide public services,

(D) any special-purpose political subdivision having the power to levy taxes and spend funds for serving such special purpose within an area served by one or more units of general local government,

(E) any local educational agency,

(F) any institution of higher education,

(G) any community-based organization,

(H) any community development corporation,

(I) any nonprofit group and any organization serving Native Americans, and

(J) any other private nonprofit organization or institution engaged in public service.

(9) The term "Secretary" means the Secretary of Health and Human Services.

(10) The term "State" means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, American Samoa, the Northern Mariana Is-

lands, and the Trust Territory of the Pacific Islands.

ALLOCATION OF FUNDS

SEC. 512. (a) The Secretary shall allocate not less than 95 per centum of funds available to carry out this part for any fiscal year among the States on the basis of the relative number of unemployed persons within each State as compared to all States, except that not less than one-half of 1 per centum of such funds shall be allocated for projects under this part within any one State and not less than one-half of 1 per centum of such funds shall be allocated in the aggregate for projects in Guam, the Virgin Islands, American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

(b) Two and one-half per centum of the funds available for this part, shall be available for projects for Native American eligible youths, and 2½ per centum shall be available for projects for eligible youths in migrant and seasonal farmworker families.

YOUTH EMPLOYMENT FOR COMMUNITY IMPROVEMENT PROJECTS AUTHORIZED

SEC. 513. The Secretary is authorized, in accordance with the provisions of this part, to enter into agreements with eligible applicants to pay the costs of youth employment for community improvement projects to be carried out by project applicants employing eligible youths and appropriate supervisory personnel.

SUMMER YOUTH EMPLOYMENT FOR COMMUNITY IMPROVEMENT PROJECTS

SEC. 514. The Secretary shall, to the extent practical and in accordance with the provisions of this part, approve agreements with eligible applicants under which the eligible applicants, in approving applications from project applicants, will give priority to projects that can be completed in the summer months or projects under which the employment of eligible youths during the summer months can be increased.

PROJECT APPLICATIONS

SEC. 515. (a) Project applicants shall submit applications for funding of projects under this part to the appropriate eligible applicant.

(b) In accordance with regulations prescribed by the Secretary, each project application shall—

(1) provide a description of the work to be accomplished by the project, the jobs to be filled, and the appropriate duration for which eligible youths would be assigned to such jobs;

(2) describe the wages or salaries to be paid individuals employed in jobs assisted under this part;

(3) set forth assurances that there will be an adequate number of supervisory personnel on the project

and that the supervisory personnel are adequately trained in skills needed to carry out the project and can instruct participating eligible youths in skills needed to carry out the project;

(4) set forth assurances that any income generated by the project will be applied toward the cost of the project;

(5) set forth assurances for acquiring such space, supplies, materials, and equipment as necessary, including reasonable payment for the purchase or rental thereof;

(6) set forth assurances that, to the maximum extent feasible, projects carried out under this part shall be labor intensive; and

(7) set forth such other assurances, arrangements, and conditions as the Secretary deems appropriate to carry out the provisions of this part.

### PROPOSED AGREEMENTS

SEC. 516. (a) Each eligible applicant desiring funds under this part shall submit a proposed agreement to the Secretary, together with all project applications approved by the eligible applicant. With its transmittal of the proposed agreement, the eligible applicant shall provide descriptions of the project applications approved by the eligible applicant, accompanied by the recommendations of the eligible applicant concerning the relative priority attached to each project.

(b) The proposed agreement submitted by any eligible applicant shall—

(1) describe the method of recruiting eligible youths, including—

(A) a description of how such recruitment will be coordinated with plans under other provisions of this Act, including arrangements required by section 121 of the Job Training Partnership Act;

(B) a description of arrangements with school systems, the public employment service (including school cooperative programs), the courts of jurisdiction for status and youthful offenders; and

(C) a description of arrangements with public assistance agencies on the employment of youth from families receiving public assistance, including parents of dependent children.

(2) describe the arrangements under which the participating eligible youths will be furnished, as necessary, basic literacy skills and continuing education opportunities;

(3) provide a description of job training and skill development opportunities that will be made available

to participating eligible youths, as well as a description of plans to coordinate the training and work experience with school-related programs, including the awarding of academic credit; and

(4) set forth such other assurances as the Secretary may require to carry out the purposes of this part.

### APPROVAL OF AGREEMENTS

SEC. 517. (a) The Secretary may approve or deny on an individual basis any of the project applications submitted with any proposed agreement.

(b) No funds shall be made available to any eligible applicant except pursuant to an agreement entered into between the Secretary and the eligible applicant which provides assurances satisfactory to the Secretary that—

(1) the standards set forth in part C will be satisfied;

(2) projects will be conducted in such manner as to permit eligible youths employed in the project who are in school to coordinate their jobs with classroom instruction and, to the extent feasible, to permit such eligible youths to receive credit from the appropriate educational agency, postsecondary institution, or particular school involved; and

(3) meet such other assurances, arrangements, and conditions as the Secretary deems appropriate to carry out the purposes of this part.

### WAGE PROVISIONS

SEC. 518. Rates of pay under this part shall be no less than the higher of—

(1) the minimum wage under section 6(a)(1) of the Fair Labor Standards Act of 1938,

(2) the State or local minimum wage for the most nearly comparable employment; or

(3) the prevailing rates of pay, if any, for occupations and job classifications of individuals employed by the same employer, except that—

(A) whenever the eligible applicant has entered into an agreement with the employer and the labor organization representing employees engaged in similar work in the same area to pay less than the rates provided in this paragraph, youths may be paid the rates specified in such agreement;

(B) whenever an existing job is reclassified as restructured, youths employed in such jobs shall be paid at rates not less than are provided under paragraph (1) or (2) of this section, but if a labor organization represents employees engaged in similar work in the same area, such youths shall be paid at rates specified in an agreement entered into by the appropriate eligible applicant, the employer, and the labor organization with respect to such reclassified or restructured jobs, and if no agreement is reached within thirty days after the initiation of the agreement procedure referred to in this subparagraph, the labor organization, eligible applicant, or employer may petition the Secretary of Labor who shall establish appropriate wages for the reclassified or restructured positions, taking into account wages paid by the same employer to persons engaged in similar work;

(C) whenever a new or different job classification or occupation is established and there is no dispute with respect to such new or different job classification or occupation, youths to be employed in such jobs shall be paid at rates not less than are provided in paragraph (1) or (2) of this section, but if there is a dispute with respect to such new or different job classification or occupation, the Secretary of Labor shall, within thirty days after receipt of the notice of protest by the labor organization representing employees engaged in similar work in the same area, make a determination whether such job is a new or different job classification or occupation; and

(D) in the case of projects to which the provision of the Davis-Bacon Act (or any Federal law containing labor standards in accordance with the Davis-Bacon Act) otherwise apply, the Secretary is authorized, for projects financed under this part under $7,500, to prescribe rates of pay for youth participants which are not less than the applicable minimum wage but not more than the wage rate of the entering apprentice in the most nearly comparable apprenticeable trade, and to prescribe the appropriate ratio of journeymen to such participating youths.

## PART B—YOUNG ADULT CONSERVATION CORPS

### ESTABLISHMENT OF YOUNG ADULT CONSERVATION CORPS

SEC. 531. To carry out the purposes of this title, there is established a Young Adult Conservation Corps to carry out projects on Federal or non-Federal public lands or waters. The Secretary of the Interior and the Secretary of Agriculture shall administer this title and may enter into such interagency agreements with the Secretary of Health and Human Services, the Secretary of Labor, and the Secretary of Education as may be necessary. Pursuant to such interagency agreements, the Secretary of the Interior and the Secretary of Agriculture shall have responsibility for the management of each Corps center, including determination of the work assignments, selection, training, discipline, and termination of Corps members, and shall be responsible for an effective program at each center.

### SELECTION OF ENROLLEES

SEC. 532. (a) Enrollees of the Corps shall be selected by the Secretary of the Interior and the Secretary of Agriculture.

(b)(1) Membership in the Corps shall be limited to individuals who, at the time of enrollment—

(A) are unemployed;

(B) are between the ages sixteen to twenty-three, inclusive;

(C) are citizens or lawfully permanent residents of the United States or lawfully admitted refugees or parolees; and

(D) are capable of carrying out the work of the Corps for the estimated duration of each such individual's enrollment.

(2) Individuals who, at the time of enrollment, have attained age sixteen but not attained age nineteen and who have left school, shall not be admitted to membership in the Corps unless they give adequate assurances, under criteria established by the Secretary of Education, that they did not

leave school for the purpose of enrolling in the Corps and obtaining employment under this title.

(c) The Secretary of the Interior and the Secretary of Agriculture shall make arrangements for obtaining referral of candidates for the Corps from the public employment service, eligible applicants under part A of this Act, sponsors of Native American programs and sponsors of migrant and seasonal farmworker programs.

(d) Preference shall be given to youths residing in rural and urban areas within each such State having substantial unemployment.

(e)(1) No individual may be enrolled in the Corps for a total period of more than twenty-four months, with such maximum period consisting of either one continuous twenty-four-month period, or three or less periods which total twenty-four months, except that an individual who attains the maximum permissible enrollment age may continue in the Corps up to the twenty-four month limit provided in this subsection only as long as the individual's enrollment is continuous after having attained the maximum age.

(2) In carrying out paragraph (1) of this subsection the Secretary of the Interior and the Secretary of Agriculture shall encourage, whenever practical, the enrollment of individuals in the Corps for periods during the summer.

ACTIVITIES OF THE CORPS

SEC. 533. (a) Consistent with each interagency agreement, the Secretary of the Interior or the Secretary of Agriculture, as appropriate, in consultation with the Secretary of Labor shall determine the location of each residential and nonresidential Corps center. The Corps shall perform work on projects in such fields as—

(1) tree nursery operations, planting, pruning, thinning, and other silviculture measures;

(2) wildlife habitat improvements and preservation;

(3) range management improvements;

(4) recreation development, rehabilitation, and maintenance;

(5) fish habitat and culture measures;

(6) forest insect and disease prevention and control;

(7) road and trail maintenance and improvements;

(8) general sanitation, cleanup, and maintenance;

(9) erosion control and flood damage;

(10) drought damage measures;

(11) trail management in wilderness areas;

(12) fire prevention;

(13) reclamation and improvement of strip-mined land;

(14) improvement of abandoned railroad beds and rights of way;

(15) urban park revitalization;

(16) wildlife management; and

(17) other natural disaster damage measures.

(b)(1) The Secretary of the Interior and the Secretary of Agriculture shall undertake to assure that projects on which work is performed under this part are consistent with the Forest and Rangeland Renewable Resources Planning Act of 1974, as amended by the National Forest Management Act of 1976, and the Wilderness Act, and such other standards relating to such projects as each Secretary shall prescribe consistent with other applicable provisions of Federal law.

(2) The Secretary of the Interior and the Secretary of Agriculture shall place individuals employed as Corps members into jobs which will diminish the backlog of relatively labor intensive projects which would otherwise be carried out if adequate funding were made available.

(c) To the maximum extent practicable, projects shall—

(1) be labor intensive;

(2) be projects for which work plans could be readily developed;

(3) be able to be initiated promptly;

(4) be productive;

(5) be likely to have a lasting impact both as to the work performed and the benefit to the youths participating;

(6) provide work experience to participants in skill areas required for the projects;

(7) if a residential program, be located, to the maximum extent consistent with the objectives of this title, in areas where existing residential facilities for the Corps members are available; and

(8) be similar to activities of persons employed in seasonal and part-time employment in agencies such as the National Park Service, United States Fish and Wildlife Service, Bureau of Reclamation, Bureau of Land Management, Bureau of Indian Affairs, Forest Service, Bureau of Outdoor Recreation, and Soil Conservation Service.

(d)(1) The Secretary of the Interior and the Secretary of Agriculture, may provide for such transportation, lodging, subsistence, medical treatment, and other services, supplies, equipment, and facilities as they may deem appropriate to carry out the purposes of this part. To minimize transportation costs, Corps members shall be assigned to projects as near their homes as practicable.

(2) Whenever economically feasible, existing but unoccupied or underutilized Federal, State, and local government

facilities and equipment of all types shall, where appropriate, be utilized for the purposes of the Corps centers with the approval of the Federal agency, State, or local government involved.

(e) The Secretary of the Interior and the Secretary of Agriculture, in carrying out the purpose of this title, shall, pursuant to an agreement with the Secretary of Education, make suitable arrangements under which academic credit may be awarded by educational institutions and agencies for competencies derived from work experience obtained through programs established under this part.

### CONDITIONS APPLICABLE TO CORPS ENROLLEES

SEC. 534. (a) Except as otherwise specifically provided in this subsection, Corps members shall not be deemed Federal employees and shall not be subject to the provisions of law relating to Federal employment including those regarding hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits:

(1) For the purposes of the Internal Revenue Code of 1954 (26 U.S.C. 1 et seq.) and title II of the Social Security Act (42 U.S.C. 401 et seq.) Corps members shall be treated as members of the Peace Corps.

(2) For purposes of subchapter I of chapter 81 of title 5 of the United States Code, relating to compen-

sation to Federal employees for work injuries, Corps members shall be deemed civil employees of the United States within the meaning of the term "employee" as defined in section 8101 of title 5, United States Code, and provisions of that subchapter shall apply, except that the term "performance of duty" shall not include any act of a Corps member while absent from the member's assigned post of duty, except while participating in an activity (including an activity while on pass or during travel to or from such post of duty) authorized by or under the direction and supervision of the Secretary.

(3) For purposes of chapter 171 of title 28 of the United States Code, relating to tort claims procedure, Corps members shall be deemed civil employees of the United States within the meaning of the term "employee of the Government" as defined in section 2671 of title 28, United States Code, and provisions of that chapter shall apply.

(4) For purposes of section 5911 of title 5 of the United States Code, relating to allowances for quarters, Corps members shall be deemed civil employees of the United States within the meaning of the term "employee" as defined in that section, and provisions of that section shall apply.

(b) The Secretary of Labor shall, in consultation with the Secretary of the Interior and the Secretary of Agriculture, establish standards for—

(1) rates of pay which shall be at least at the wage required by section 6(a)(1) of the Fair Labor Standards Act of 1938, as amended;

(2) reasonable hours and conditions of employment; and

(3) safe and healthful working and living conditions.

PROHIBITIONS

SEC. 535. No Corps member may perform work on projects under which such member—

(1) is exposed to pesticides or herbicides;

(2) uses or applies pesticides or herbicides; or

(3) is exposed to an area in which pesticides or herbicides were used shortly before the work is to be performed,

as determined by regulations prescribed by the Secretary of Labor.

STATE AND LOCAL PROGRAMS

SEC. 536. (a) Consistent with interagency agreements, the Secretary of the Interior and the Secretary of Agriculture may make grants or enter into other agreements—

(1) after consultation with the Governor, with any State agency or institution;

(2) after consultation with appropriate State and local officials, with (A) any unit of general local government, or (B)(i) any public agency or organization or (ii) any private nonprofit agency or organization which has been in existence for at least two years including eligible applicants qualified under Part A of this title,

for the conduct under this part of any State or local component of the Corps or of any project on non-Federal public lands or waters or any project involving work on both non-Federal and Federal lands and waters.

(b) No grant or other agreement may be entered into under this section unless an application is submitted to the Secretary of the Interior or the Secretary of Agriculture, as the case may be, at such time as each Secretary may prescribe. Each grant application shall contain assurances that individuals employed under the project for which the application is submitted—

(1) meet the qualifications set forth in section 232 (b); and

(2) shall be employed in accordance with section 234(b) and section 235.

(c)(1) Sixty per centum of the sums appropriated pursuant to section 341(a) and available to carry out this part for any fiscal year shall be used for grants under this section for such fiscal year.

(2)(A) Ninety-five per centum of the funds available for this section shall be alloted by the Secretary of the Interior on the basis of the relative number of youths and the relative number of unemployed youths within each State as compared to all States, except that not less than one-half of 1 per centum of such funds shall be allocated for projects under this part within any one State and not less than one-half of 1 per centum of such funds shall be allocated in the aggregate for projects in Guam, the Virgin Islands, American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

(B) Of the funds available for this part 2½ per centum shall be available for projects for Native American eligible youths, and 2½ per centum shall be available for projects for eligible youths in migrant and seasonal farmworker families.

### EQUITABLE AVAILABILITY OF CORPS MEMBERSHIP

SEC. 537. The Corps shall be open to youth from all parts of the country of both sexes and youth of all social, economic, and racial classifications.

### TRANSFER OF FUNDS

SEC. 538. Funds necessary to carry out their responsibilities under this title shall be made available to the Secretary of the Interior and the Secretary of Agriculture in accord with interagency agreements between the Secretary of the Interior and the Secretary of Agriculture,

## PART C—GENERAL PROVISIONS

### AUTHORIZATION OF APPROPRIATIONS; DISTRIBUTION OF FUNDS

SEC. 541. (a) There are authorized to be appropriated $3,000,000,000 for the fiscal year 1984 and for each fiscal year thereafter to carry out the provisions of this title.

(b) Of the sums available to carry out the provisions of this title in each fiscal year—

(1) 50 per centum shall be available for part A; and

(2) 50 per centum shall be available for part B.

### ANTIDISCRIMINATION

SEC. 542. No person with responsibility in the operation of any program authorized by or assisted under this title shall discriminate in any such program because of race, color, religion, sex, national origin, handicap, political affiliation, or beliefs.

### SPECIAL PROVISIONS

SEC. 543. (a) Appropriate efforts shall be made to insure that youths participating in programs, projects, and activities under parts A and B of this title shall be youths who are experiencing severe handicaps in obtaining employment, including but not limited to youths who lack credentials (such as a high school diploma), youths who require substantial basic and remedial skill development, youths who are women and minorities, youths who are veterans of military service, youths who are offenders, youths who are handicapped, youths with dependents, or youths who have otherwise demonstrated special need, as determined by the Secretary of Health and Human Services, the Secretary of the Interior, or the Secretary of Agriculture, as the case may be.

(b)(1) The Secretary of Health and Human Services, the Secretary of the Interior, or the Secretary of Agriculture, as the case may be, is authorized to make such reallocation as the Secretary deems appropriate of any amount of any allocation under parts A and B of this title to the extent that the Secretary determines that an eligible applicant will not be able to use such amount within a reasonable period of time. Any such amount may be reallocated only if the Secretary making the reallocation under this subsection has provided thirty days' advance notice of the proposed reallocation to the eligible applicant and to the Governor of the State of the proposed reallocation, during which period of time the eligible applicant and the Governor may submit comments to the Secretary. After considering any comments submitted during such period of time, the Secretary shall notify the Governor and affected eligible applicants of any decision to reallocate funds, and shall publish any such decision in the Federal

Register. Priority shall be given in reallocating such funds to other areas within the same State.

(2) For the purpose of this subsection, the term "Governor" means the chief executive of any State.

### ACADEMIC CREDIT, EDUCATION CREDIT, COUNSELING AND PLACEMENT SERVICES, AND BASIC SKILLS DEVELOPMENT

SEC. 544. (a) In carrying out this title, appropriate efforts shall be made to encourage the granting by the local educational agency or school involved of academic credit to eligible participants who are in school.

(b) The Secretary of Health and Human Services, the Secretary of the Interior, or the Secretary of Agriculture, as the case may be, in carrying out the purposes of this title, shall work with the Secretary of Education to make suitable arrangements with appropriate State and local education officials under which academic credit may be awarded, consistent with applicable State law, by educational institutions and agencies for competencies derived from work experience obtained through programs established under this title.

### DISREGARDING EARNINGS

SEC. 545. Earnings received by any youth under this title shall be disregarded in determining the eligibility of the youth's family for, and the amount of, any benefits based on need under any Federal or federally assisted programs.

## ADMINISTRATIVE PROVISIONS

SEC. 546. (a)(1) The Secretary of Health and Human Services may, in accordance with chapter 5 of title 5, United States Code, prescribe such rules and regulations (including performance standards) as the Secretary of Health and Human Services deems necessary. Such rules and regulations may include adjustments authorized by section 204 of the Intergovernmental Cooperation Act of 1968. All such rules and regulations shall be published in the Federal Register at least thirty days prior to their effective date. Copies of all such rules and regulations shall be transmitted to the appropriate committees of the Congress at the same time and shall contain, with respect to each material provision of such rules and regulations, citations to the particular substantive section of law which is the basis therefor.

(2) In prescribing rules and regulations under paragraph (1), the Secretary shall consult with the Secretary of Labor.

(b) The Secretary of Health and Human Services is authorized, in carrying out this title, to accept, purchase, or lease in the name of the Department, and employ or dispose of in furtherance of the purposes of this title, any money or property, real, personal, or mixed, tangible or intangible, received by gift, devise, bequest, or otherwise, and to accept voluntary and uncompensated services notwithstanding the provisions of section 3679(b) of the Revised Statutes of the United States.

(c) The Secretary of Health and Human Services may make such grants, contracts, or agreements, establish such procedures and make such payments, in installments and in advance or by way of reimbursement, or otherwise allocate or expend funds under this title as necessary to carry out this title, including (without regard to the provisions of section 4774(d) of title 10, United States Code) expenditures for construction, repairs, and capital improvements, and including necessary adjustments in payments on account of overpayments or underpayments.

(d) The Secretary of Health and Human Services with respect to part A, and the Secretary of the Interior and the Secretary of Agriculture with respect to part B, shall prepare and submit to the Congress an annual report on activities assisted or conducted under this title.

## TITLE VI—GENERAL PROVISIONS

### DEFINITIONS

SEC. 601. (a) For the purposes of this Act—

(1) the term "public capital investment" means any facility owned or operated by a State, municipality, or other public agency or authority organized pursuant to State or local law, including but it not limited to, non-Federal-aid highways, streets, and bridges,

and mass transit, publicly owned rail transportation, airports, water supply and distribution systems, sewers, dams, resource recovery facilities, buildings (including schools and libraries), ports, waterways, docks, and parks;

(2) the term "construction" means the actual building of a new project at a site where no similar project previously existed, including the acquisition of land for such project and nonstructural alternatives, and the reconstruction of a project at an existing site or adjacent to an existing site;

(3) the term "rehabilitation" means the correction of structural flaws in a facility so as to extend the design life of such a facility;

(4) the term "maintenance" means routine and regularly scheduled activities intended to keep the facility operating at its designed specifications;

(5) the term "repair" means the correction of a structural flaw in the facility without adding significantly to the design life of such facility;

(6) the term "State" means (A) any State of the United States, and (B) the District of Columbia, Puerto Rico, Guam, American Samoa, the Northern Marianas Trust Territories, and the Virgin Islands; and

(7) the term "local unit of government" means, but is not limited to, any city, county, town, parish, village, or other general purpose political subdivision of a State.

(b) Nothing in this Act shall alter the requirements of the National Environmental Policy Act (42 U.S.C. 4343), the Fish and Wildlife Coordination Act (16 U.S.C. 661) the Endangered Species Act (16 U.S.C. 1530 et seq.), or title III of the Clean Water Act (33 U.S.C. 1311–1328).

SEC. 602 (a)(1) This section shall apply to titles I, II, and III of this Act.

(2) For the purposes of this section, the term "Secretary" means the Secretary of the Army, acting through the Chief of Engineers.

(b) No grant shall be approved unless the Secretary is satisfied that the project for which Federal assistance is granted will be properly and efficiently administered, operated, and maintained.

(c) In performing his duties, the Secretary is authorized to—

(1) adopt, alter, and use a seal, which shall be judicially noticed;

(2) hold such hearing, sit and act at such times and places, and take such testimony, as he may deem advisable;

(3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

(4) acquire, in any lawful manner, any property (real, personal or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized by this Act;

(5) procure by contract the temporary or intermittent services of experts and consultants or organizations therefor as authorized by section 3109(b) of title 5, United States Code, compensate individuals so employed at rates not in excess of $100 per diem, including travel time, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) in accordance with section 5703 of title 5, United States Code, for persons in the Government service employed intermittently, while so employed;

(6) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne, or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 517, 547, and 2679 of title 28, United States Code; and

(7) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

(d)(1) No suit, action, or other proceedings lawfully commenced by or against the Secretary or any other officer in his official capacity or in relation to the discharge of his official duties under the Public Works and Economic Development Act of 1965, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within 12 months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or such other officer as may be appropriate.

(2) except as may be otherwise expressly provided, all powers and authorities conferred shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers and duties under the Public Works and Economic Development Act of 1965 shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary.

(e) The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending September 30, 1984. Such report shall be printed and shall be transmitted to the Congress not later than February 1 of the year following the fiscal year with respect to which such report is made.

(f) All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a–276a–5). The Secretary shall not extend any financial assistance for such project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standard specified in this provision, the authority and functions set forth in Reorganization Plan numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z–15), and section 2 of the Act of June 13, 1964, as amended (40 U.S.C. 276c).

(g)(1) Each recipient of a grant shall keep such records as the Secretary shall prescribe, including records which—

(A) fully disclose the amount and the disposition by such recipient of the proceeds of such grant, the total cost of the project or undertaking in connection with which such grant is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources,

(B) review the efficiency, economy, and effectiveness of the project carried out.

(2) Not later than ten days after January 1, and July 1 of each year, each recipient shall transmit a report to the Secretary containing all information prescribed under paragraph (1) of this subsection which relates to all activities carried out during the preceding period relating to grants. Each report submitted in January of each year shall include an

audited statement of all funds spent on the project or undertaking during the preceding fiscal year prepared by an independent certified public accountant in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the Comptroller General of the United States.

(3) For the purpose of reviewing the efficiency, economy, and effectiveness of programs carried out under the provisions of the Act, including audit and examination, the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of any recipient, subrecipient, contractor, or subcontractor that are pertinent to assistance.

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II

98TH CONGRESS
1ST SESSION

# S. 871

To amend the Public Works and Economic Development Act of 1965, as amended.

IN THE SENATE OF THE UNITED STATES

MARCH 21, 1983

Mr. MITCHELL introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

# A BILL

To amend the Public Works and Economic Development Act of 1965, as amended.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SEC. 101. The Public Works and Economic Development Act of 1965 is amended to read as follows: "This Act may be cited as the 'Regional Economic Development Act of 1983' ".

## "TITLE I—DEVELOPMENT ASSISTANCE

### "FINDINGS AND PURPOSES

"SEC. 101. (a) The Congress reaffirms the proposition that this Nation's economic strength is derived from the health of its regions, States, and local communities, both rural and urban, and that national interest dictates the maintenance and enhancement of economic vitality at the subnational level.

"(b) Congress also recognizes that economic conditions and political relationships change and that legislation must address these changes.

"(c) Congress further affirms that this legislation is designed to make government more efficient and responsive by supporting the following principles: leave to private initiative all the functions that citizens can perform privately; use the level of government closest to the community for all public functions it can handle; utilize cooperative intergovernmental agreements where appropriate to attain economical performance and popular approval; reserve national action for residual participation where State and local governments are not fully adequate and for the continuing responsibilities that only the National Government can undertake.

"(d) The private sector remains the ultimate generator of employment and economic growth, but the public sector must reverse decades of infrastructure neglect as a necessary concomitant to private business stability and expansion. State and local governments now have a greater capacity than in previous decades to direct their own destiny, in part because of past Federal efforts; this new capacity must be incorporated in any new legislation at the national level. America's increased involvement in international trade has brought both challenges to some industries, and opportunities for others; these challenges and opportunities must be addressed. Capital shortages will for the foreseeable future curtail the Nation's ability to meet public and private investment needs; it is therefore imperative to marshal the resources of all levels of government and the private sector to create the critical mass of capital and other assets needed to generate growth. Finally, there is a continued need to assist in adjustment of change, which is the only permanent feature of our national, regional, and local economies.

"(e) In recognition of these constants and changes, Congress finds it an appropriate role for the Federal Government to foster the coordination of investments between the public and private sectors and to promote long-term economic development partnerships at the State and local levels, in both rural and urban areas.

"(f) The purposes of this Act are therefore—

"(1) to establish a framework within which Federal, State, and local governments, and the private sectors, in urban and rural areas, can combine their resources to achieve economic development in all parts of the Nation;

"(2) to help create a strong investment climate which promotes the expansion and retention of job opportunities for local residents; and removes economic barriers in local areas which impede the free market forces;

"(3) to build, rehabilitate, and repair public infrastructure where it is inadequate to support and encourage private investment in the area;

"(4) to recognize and rely upon improved State and local governments' capacity to direct their own destinies;

"(5) to link public and private funds to foster coordination of resources between these sectors, in order to leverage the maximum investment in the long-term economic vitality of all areas;

"(6) to facilitate local and regional economic adjustment and economic development diversification in a changing national economy, by assisting State and local efforts to foresee adverse economic changes; to prevent their consequences where possible; to respond as necessary; and to achieve economic self-sufficiency;

"(7) to assist in relieving capital shortages and fill local credit gaps which impede private business startups and expansion; and

"(8) to assist communities and industries to respond to the opportunities and challenges of a world increasingly knit together by international trade.

"ELIGIBLE ACTIVITIES

"SEC. 102. Upon application of a State, economic development district, unit of local government, Indian tribe, or private or public nonprofit organization established for economic development purposes which meets the eligibility criteria hereinafter established by this Act, the Secretary is authorized to make a grant for a portion of the cost, as provided in section 108 of this Act, of projects submitted in a development investment strategy. Development investment assistance may be for the following purposes:

"(1) the construction, repair, rehabilitation and improvement of public facilities, including the acquisition of land and other public works improvements to encourage and support private development;

"(2) revolving loan funds to promote the establishment and growth of small businesses and to retain indigenous firms and entrepreneurs which contribute to the creation, retention, and expansion of private sector jobs;

"(3) to conduct feasibility studies, site preparation, and other technical assistance to prepare for development and to enhance the investment climate; and

"(4) development activities which address and prevent economic dislocation and facilitate economic adjustment including assistance to promote employee stock ownership plans and which contribute to economic diversification and long-term economic vitality of the area.

"APPLICANTS

"SEC. 103. (a) A State may apply for a grant under this title for an eligible project within any unit of local government within the State, other than a unit of local government with a population of fifty thousand or more, if such unit meets the requirements of section 105 and is not within the boundaries of an economic development district.

"(b) A unit of local government within a State, other than a unit of local government with a population of fifty thousand or more, which meets the requirements of section 105 and is not within the boundaries of an economic development district may apply for a grant under this title for an eligible project within such unit, but only if such unit consults the State in the preparation of the grant application.

"(c) An economic development district may apply for a grant under this title for an eligible project within any unit of local government within such district if such unit meets the requirements of section 105.

"(d) A unit of local government within an economic development district may apply for a grant under this title for an eligible project within such unit if such unit meets the requirements of section 105, but only if such unit consults the economic development district in the preparation of the grant application.

"(e) An Indian tribe may apply for a grant under this title.

"(f) A unit of local government with a population of fifty thousand or more which meets the requirements of section 105 and is located outside an economic development district may apply for a grant under this title for an eligible project within such unit.

"(g) In the case of a unit of local government which has a population of fifty thousand or more, is located outside of an economic development district, and does not meet the requirements of section 105, a private or public nonprofit development organization representing an area which meets the requirements of section 105 and is within such unit may apply for a grant under this title for an eligible project within such area, but only if such organization consults such unit in the preparation of the grant application.

"APPLICATION FOR GRANT

"SEC. 104. (a) An application for a grant under this title shall include, but need not be limited to—

"(1) a certification that the area for which the grant is to be made meets the distress requirements set forth in section 105;

"(2) a certification relative to the performance of any responsibilities which the Secretary has agreed to accept under section 306 of this Act; and

"(3) a development investment strategy prepared in accordance with section 106.

"(b) In approving applications for grants under this title, the Secretary shall consider the purposes of this Act as set forth in section 101 of this Act, including but not limited to the following:

"(1) the severity of distress in the area for which the grant is to be made;

"(2) the ratio of private sector investments committed in such area to the amount of the grant applied for;

"(3) the extent to which the appropriate State and local governments have undertaken or agree to undertake other related actions to encourage economic development and the expansion of employment opportunities;

"(4) the effectiveness of the development investment strategy and the degree to which the proposed project contributes to its implementation (including the strategy's relationship to economic problems identified in the strategy), expands employment opportunities in the existing labor market, provides incentives to retain indigenous private businesses, expands or improves public facilities, and encourages private investment; and

"(5) the extent to which the strategy and activities are consistent with State and local goals and priorities and contribute to long-term economic growth and private sector employment opportunities and establish an overall strengthened economic and business environment which will be self-sustaining.

### "DISTRESS REQUIREMENTS

"SEC. 105. (a) In order to be eligible for a grant under this title, the applicant must certify that any activity or project to be funded under such grant will be carried out or located in an area which meets any one of the following criteria:

"(1) the area has a per capita income of 80 per centum or less of the national average;

"(2) the area has an unemployment rate above the national average for the most recent twenty-four-month period for which statistics are available; or

"(3) the area has experienced or is about to experience a sudden economic dislocation resulting in job loss that is significant both in terms of the number of jobs eliminated and the effect upon the employment rate of the area.

"(b) Documentation of distress shall be supported by Federal data, when available, and in other cases by data available through the State government. Such documentation shall be accepted by the Secretary unless it is determined to be inaccurate. The most recent statistics available must be used.

"DEVELOPMENT INVESTMENT STRATEGY

"SEC. 106. (a) Except as provided in subsection (b) of this section, an applicant for a grant under this title shall prepare a development investment strategy for the area for which the grant is sought which—

"(1) identifies the economic development problems sought to be addressed by the grant;

"(2) identifies past, present, and projected future economic development investments in such area and public and private participants and sources of funding for such investments; and

"(3) identifies the extent to which the development investment strategy takes into account—

"(A) availability of developable land and space in the area;

"(B) public works, public service, and development facilities in the area;

"(C) availability of low-cost capital;

"(D) tax policy on investments in the area;

"(E) level of skill of the labor force; and

"(F) ability of State and units of local government to provide financial assistance in the management and implementation of the strategy;

"(4) sets forth a strategy for addressing the economic problems identified in paragraph (1) and discusses the manner in which the strategy will solve such problems;

"(5) provides a general discussion of the projects necessary to implement the strategy, an estimate and analysis of the costs and anticipated benefits of implementing the strategy, and an estimate of the timetables for completion of such projects; and

"(6) provides a summary of public and private resources which are expected to be available for such projects.

"(b) In any case in which a unit of local government is the eligible applicant under subsection (b) or (d) of section 103, the unit of local government shall consult the State or economic development district, respectively, in the preparation of a development investment strategy. In any case in which a private public nonprofit development organization within a unit of local government is the eligible applicant under subsection (g) of section 103, the unit of local government shall consult with the organization in the preparation of a development investment strategy.

### "PRIVATE SECTOR INCENTIVES

"SEC. 107. (a) To stimulate small business development and to promote internal economic growth which contributes to an improved local tax base and the creation of permanent employment opportunities, the Secretary is authorized to make grants to an applicant to establish a revolving loan fund to be used for making loans or guaranteeing loans to small businesses for initial or working capital, or the purchase of facilities or equipment. In addition, loans or guarantees may be made to businesses where a relatively small amount of capital is needed to complete financing necessary to retain the business in the area.

"(b) No grant for the establishment or recapitalization of a revolving loan fund shall be made for more than $1,000,000.

"(c) No loan or guarantee shall be made from a revolving loan fund which has received a grant under this title unless the financial assistance applied for is not otherwise available from private lenders on terms which in the opinion of the administrator of the revolving loan fund will permit the accomplishment of the project.

"(d) Any applicant for a grant for a revolving loan fund shall give assurances that amounts of any loan which are repaid to the revolving loan fund will be available only for the purposes set forth in subsection (a).

"(e) No loan or guarantee may be made from a revolving loan fund which has received a grant under this title unless the applicant for such loan or guarantee provides reasonable assurance of repayment of the loan.

"(f) The Secretary may make additional grants for a portion of the cost, as provided in section 108(b) of this Act, of recapitalization of a revolving loan fund, taking into consideration the past performance of such fund.

"(g) The grantee of any grant for a revolving loan fund shall administer the fund and the United States shall exercise no control over the administration of such fund.

### "FEDERAL SHARE

"SEC. 108. (a) The amount of any grant for a project for any eligible activity described in paragraph (1) of section 102 shall be that amount which when added to amounts available from all other sources is sufficient to complete such project, except that in no event shall the amount of any grant under this title exceed 50 per centum of such cost of completing the project as determined at the time of the grant application. No additional funds shall be granted or otherwise made available under this Act for any such project for which a grant has been made under this Act.

"(b) The amount of any grant for the establishment of a revolving loan fund under paragraph (2) of section 102 shall not exceed an amount which is equal to the amount of funds available from all other sources for the establishment of such revolving loan fund. The amount of any additional grant for the recapitalization of a revolving loan fund previously established with a grant under this Act shall not exceed an amount which is equal to one-third of the amount of funds available from all other sources for such recapitalization.

"(c) In the case of a grant to an Indian tribe, the Secretary may reduce or waive the non-Federal share.

### "LIMITATION

"SEC. 109. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

### "OBLIGATION OF FUNDS

"SEC. 110. (a) Not later than May 31 of each fiscal year, the Secretary shall obligate for grants under this title not less than 50 per centum and not more than 60 per centum of the funds appropriated for such fiscal year pursuant to this title.

"(b) Not later than September 30 of each fiscal year, the Secretary shall obligate for grants under this title the remaining funds appropriated for such fiscal year pursuant to this title.

### "AUTHORIZATION OF APPROPRIATIONS

"SEC. 111. There is authorized to be appropriated to carry out this title, to be available until expended, $425,000,000 per fiscal year for each of the fiscal years ending September 30, 1984, September 30, 1985, and September 30, 1986.

## "TITLE II—INVESTMENT STRATEGY, PLANNING, EVALUATION, AND DEMONSTRATION

### "INVESTMENT STRATEGY AND PLANNING

"SEC. 201. (a)(1) The Secretary is authorized to make grants for economic development planning, including the preparation of development investment strategies under section 106 of this Act and the payment of administrative expenses, to States, economic development districts, Indian tribes, counties which meet the distress requirements of section 105 of this Act and which are located outside of economic development districts, and those other units of local government having populations of fifty thousand or more which meet such distress requirements and which are located outside of economic development districts. Such planning shall be a part of a comprehensive planning process and shall be a continuous process involving public officials and private citizens in analyzing local economies, defining development goals, determining project opportunities, and formulating and implementing a development program.

"(2) Any State economic development plan prepared with assistance under this section shall be prepared by the State with the active participation of units of local government and economic development districts located in whole or in part within such State and shall set priorities and goals for economic development within such State. Each State receiving assistance under this subsection shall submit to the Secretary an annual report on the planning process assisted under this section.

"(3) Any economic development planning by an economic development district or a unit of local government for which a grant is made under this section shall be consistent with the State economic development plan for the State in which such district or unit is located.

"(b) Grants under this section shall be used, to the maximum extent possible, to provide logical coordination of investment for community facilities, economic development, manpower training, and transportation services.

"(c) Any applicant for assistance under this section shall give assurances that it will provide project planning, financial analysis, marketing, management, feasibility studies, and other technical and financial assistance to communities and neighborhoods within its boundaries.

### "EVALUATION AND DEMONSTRATION

"SEC. 202. (a) The Secretary is authorized to conduct a program of evaluation of Federal, State, and local development investment efforts in order to—

"(1) assist in determining the causes of unemployment, underemployment, severe economic adjustment problems, and chronic distress in areas and regions of the United States; and

"(2) assist in formulating, implementing, or improving programs at the National, State, or local levels which are designed to increase employment in private firms, assist depressed industry sectors, or otherwise promote economic development or adjustment.

"(b) The Secretary is authorized to conduct any demonstration program to test the feasibility of new ways to increase productivity and growth and the understanding of regional and local economies, to foster innovative technology and research in the field of economic development, to match the labor force with projected labor markets, to improve United States competitiveness, or to encourage economic diversity and regional balance.

"(c) Programs authorized under subsections (a) and (b) of this section may be carried out by the Secretary acting through the staff of the Department, in cooperation with or by the provision of funding to other departments or agencies of the Federal Government, or by contract.

"FEDERAL SHARE

"SEC. 203. The amount of any grant under section 201 shall not exceed 75 per centum of the cost of economic development planning or for the preparation of a development investment strategy. In determining the amount of the non-Federal share of costs under this section, the Secretary shall give due consideration to all contributions both in cash and in kind, fairly evaluated, including but not limited to space, equipment, and services. In the case of a grant to an Indian tribe under section 201, the Secretary may reduce or waive the non-Federal share.

"OBLIGATION OF FUNDS

"SEC. 204. Not later than December 31 of each fiscal year, the Secretary shall obligate for grants under section 201 all of the funds appropriated for such fiscal year pursuant to this title (other than those funds available for purposes of section 202).

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 205. (a) There is authorized to be appropriated to carry out this title, to be available until expended, $75,000,000 per fiscal year for each of the fiscal years ending September 30, 1984, September 30, 1985, September 30, 1986.

"(b) Of sums authorized to be appropriated under subsection (a) of this section, not to exceed $15,000,000 in each of the fiscal years ending September 30, 1984, September 30, 1985, and September 30, 1986, shall be available for the purposes of section 202.

## "TITLE III—ADMINISTRATION

### "DEFINITIONS

"SEC. 301. For purposes of this Act—

"(1) the term 'economic development district' means—

"(A) an economic development district designated on or before January 1, 1982, under section 403(a)(1) of the Public Works and Economic Development Act of 1965; and

"(B) any district within a State which is designated by the Secretary, which district is of sufficient size or population and contains sufficient resources to foster economic development on a scale involving more than one county;

"(2) the term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7) of the Internal Revenue Code of 1954;

"(3) the term 'Indian tribe' means the governing body of a tribe, an Indian authority of tribal organization or entity, an Alaskan Native village, or any Indian group which is recognized as an Indian tribe by the Secretary of the Interior;

"(4) the term 'unit of local government' means any city, county, town, parish, village, or other general purpose political subdivision of a State;

"(5) the term 'small business' means a business that is independently owned and operated, is not dominant in its field of operations, and meets such other criteria as the Secretary, after consultation with the Administrator of the Small Business Administration, may by regulation establish, including but not limited to, numbers of employees and dollar volume of business by industrial classes;

"(6) the term 'Secretary' means the Secretary of Commerce; and

"(7) the term 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Commonwealth of the Northern Marianas.

### "APPOINTMENT OF ASSISTANT SECRETARY

"SEC. 302. The Secretary shall administer this Act with the assistance of an Assistant Secretary of Commerce, created by section 601 of the Public Works and Economic

Development Act of 1965. Such Assistant Secretary shall perform such functions as the Secretary may prescribe.

### "CONSULTATION WITH OTHER PERSONS AND AGENCIES

"SEC. 303. (a) The Secretary is authorized from time to time to call together and confer with any person, including representatives of labor, management, agriculture, and government, who can assist in meeting the problems of area and regional unemployment or underemployment.

"(b) The Secretary may make provisions for such consultation with interested departments and agencies as he may deem appropriate in the performance of the functions vested in him by this Act.

### "ADMINISTRATION OF ASSISTANCE

"SEC. 304. No grant shall be approved under this Act unless the Secretary is satisfied that the project for which Federal assistance is granted will be properly and efficiently administered, operated, and maintained.

### "POWERS OF THE SECRETARY

"SEC. 301. In performing his duties under this Act, the Secretary is authorized to—

"(1) adopt, alter, and use a seal, which shall be judicially noticed;

"(2) hold such hearings, sit and act at such times and places, and take such testimony, as he may deem advisable;

"(3) request directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics needed to carry out the purposes of this Act; and each department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized to furnish such information, suggestions, estimates, and statistics directly to the Secretary;

"(4) acquire, in any lawful manner, any property (real, personal, or mixed, tangible or intangible), whenever deemed necessary or appropriate to the conduct of the activities authorized by this Act;

"(5) procure by contract the temporary or intermittent services of experts and consultants or organizations therefor as authorized by section 3109(b) of title 5, United States Code, compensate individuals so employed at rates not in excess of $100 per diem, including traveltime, and allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) in accordance with section 5703 of title 5, United States Code, for persons in the Government service employed intermittently, while so employed;

"(6) sue and be sued in any court of record of a State having general jurisdiction or in any United States district court, and jurisdiction is conferred upon such district court to determine such controversies without regard to the amount in controversy; but no attachment, injunction, garnishment, or other similar process, mesne, or final, shall be issued against the Secretary or his property. Nothing herein shall be construed to except the activities under this Act from the application of sections 517, 547, and 2679 of title 28, United States Code; and

"(7) establish such rules, regulations, and procedures as he may deem appropriate in carrying out the provisions of this Act.

### "CERTIFICATION

"SEC. 306. (a) The Secretary may discharge any of his responsibilities relative to a project for which a grant may be made under title I of this Act by accepting a certification by the applicant of the applicant's performance of such responsibilities. The Secretary shall promulgate such guidelines and regulations as may be necessary to carry out this section.

"(b) Acceptance by the Secretary of an applicant's certification under this section may be rescinded by the Secretary at any time if, in his opinion, it is necessary to do so.

"SAVINGS PROVISIONS

"SEC. 307. (a) No suit, action, or other proceedings lawfully commenced by or against the Secretary or Assistant Secretary or any other officer in his official capacity or in relation to the discharge of his official duties under the Public Works and Economic Development Act of 1965, shall abate by reason of the taking effect of the provisions of this Act, but the court may, on motion or supplemental petition filed at any time within twelve months after such taking effect, showing a necessity for the survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, allow the same to be maintained by or against the Secretary or Assistant Secretary or such other officer of the Department of Commerce as may be appropriate.

"(b) Except as may be otherwise expressly provided in this Act, all powers and authorities conferred by this Act shall be cumulative and additional to and not in derogation of any powers and authorities otherwise existing. All rules, regulations, orders, authorizations, delegations, or other actions duly issued, made, or taken by or pursuant to applicable law, prior to the effective date of this Act, by any agency, officer, or office pertaining to any functions, powers, and duties under the Public Works and Economic Development Act of 1965 shall continue in full force and effect after the effective date of this Act until modified or rescinded by the Secretary or such other officer of the Department of Commerce as, in accordance with applicable law, may be appropriate.

### “ANNUAL REPORT

“SEC. 308. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending September 30, 1983. Such report shall be printed and shall be transmitted to the Congress not later than February 1 of the year following the fiscal year with respect to which such report is made.

### “PREVAILING RATE OF WAGE

“SEC. 309. All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a–276a–5). The Secretary shall not extend any financial assistance under this Act for such project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5

U.S.C. 133z–15), and section 2 of the Act of June 13, 1964, as amended (40 U.S.C. 276c).

### "RECORD OF APPLICATIONS

"SEC. 310. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for a grant under this Act, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved: (1) the name of the applicant, (2) the amount and duration of the grant for which application is made, and (3) the purposes for which the proceeds of the grant are to be used.

### "RECORDS AND AUDIT

"SEC. 311. (a) Each recipient of a grant under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such grant, the total cost of the project or undertaking in connection with which such grant is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 312. There is hereby authorized to be appropriated for salaries and administrative expenses to carry out the provisions of this Act $30,000,000 for the fiscal year ending September 30, 1984, $35,000,000 for the fiscal year ending September 30, 1985, and $40,000,000 for the fiscal year ending September 30, 1986. Appropriations authorized under this Act shall remain available until expended unless otherwise provided by appropriations Acts. Any contract entered into pursuant to this Act shall be effective only to such extent and in such amounts as may be provided in advance in an appropriation Act.".

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# INFRASTRUCTURE AND JOBS

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## TUESDAY, APRIL 12, 1983

U.S. Senate,
Committee on Environment and Public Works,
*Washington, D.C.*

The committee met at 10 a.m., in room SD-406, Dirksen Senate Office Building, Hon. Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Abdnor, Randolph, and Mitchell.

Senator **Stafford**. The Committee on Environment and Public Works will please come to order.

This is the second in a series of hearings on various infrastructure proposals that are before the committee. It is a continuation of the hearing which we had yesterday at which the chairman believes adequate opening statements were made.

This morning, we will get right to the witnesses.

Senator Randolph, the ranking member, is here. He has a large group of young constituents of his with him, and they will be joining us as our guests shortly at which time the Chair will interrupt proceedings in order to give the Senator an opportunity to introduce his constituents.

The first witness scheduled is Hon. Carol Bellamy, who is president of the New York City Council, and she will be speaking on behalf of the National League of Cities.

It is a pleasure to welcome you here, Madam President, and we appreciate your appearance for the League of Cities to testify with respect to the Nation's infrastructure problems.

### STATEMENT OF HON. CAROL BELLAMY, PRESIDENT, NEW YORK CITY COUNCIL, ON BEHALF OF NATIONAL LEAGUE OF CITIES

Ms. **Bellamy**. Thank you, very much, Senator.

I appreciate the opportunity to testify. I am, along with Mayor Thomas Bradley of Los Angeles, cochairman of the National League of Cities' Infrastructure Task Force.

The National League of Cities, as you know, represents about 15,000 cities throughout the country, ranging in size from New York and Los Angeles to Scotland Neck, N.Y.

It is a pleasure to be with you today to discuss proposed solutions to the Nation's infrastructure problems. In our view, there is no more urgent task facing government at all levels today, and, indeed, the private sector, as well.

Our infrastructure task force, which I might say we very much appreciate your talking to us last month, Mr. Chairman, was established to deal with this critical problem.

Our first task, carried out in conjunction with the U.S. Conference of Mayors at the request of Congressman Jim Oberstar, was to survey the condition of our local public facilities and to determine our cities' needs for modernizing and replacing those facilities.

We are now in the process of analyzing the information submitted to us by about 850 cities, and we will be pleased to make this available data public and available to you very shortly.

The three bills before you today take different approaches to the infrastructure problem. S. 23, introduced by the senior Senator from my State, would establish a national commission to conduct an inventory of needed public improvements and to develop a national plan setting priorities and detailing the financial mechanisms required to make those improvements.

S. 532, introduced by Senator Domenici, would provide for the setting up of State infrastructure banks.

S. 724, introduced by yourself and Senator Randolph, would provide for a State bank, rural public facilities, countercyclical public works, historic preservation and various community improvements.

Unfortunately, I cannot comment in detail on each of these bills since they are now being analyzed by the various policy committees within the National League of Cities.

However, on behalf of the NLC, I would like to make some general comments on these various bills.

First, the cost of repairing, modernizing, and replacing our deteriorating infrastructure is enormous, with estimates commonly running into hundreds of billions of dollars.

In view of the budget constraints facing all levels of government today, it is unrealistic to expect public funding to fill more than a small fraction of the overall need. Consequently, we believe that private sector financing must be relied upon to the greatest extent possible.

In this context, the Congress should give careful consideration to Senator Domenici's second infrastructure bill, S. 533, which would provide interest subsidies for taxable bonds issued to finance infrastructure projects.

The advantages of such an approach are many. They include primary reliance on private sector capital stimulated by a relatively small amount of public subsidy; a reduction of costs to State and local government borrowers for essential projects; and only a minimal impact on the Federal budget as a result of a partial shift in State-local borrowing from the tax-exempt to the taxable credit market.

I do not bring up S. 533 to give it NLC's endorsement. Realistically, however, Congress can provide only a small part of the funds needed in this area.

Your bill, Mr. Chairman, would generally provide 50 to 75 percent of projected costs, a substantial subsidy, but for relatively few projects.

S. 533 would provide a small subsidy for many projects. Obviously, S. 533, if otherwise acceptable, would fund many more infrastructure projects at ultimately a lower cost to the Federal Government.

In addition, it should be noted that the greater the subsidy per project, the more incentive the recipients will have to wait for assistance rather than finding alternative sources of funding.

Second, not only is the cost of modernizing our public infrastructure great, but the variety of facilities that need that modernization are great, as well. Roads, bridges, water works facilities, port facilities, the list goes on and on. Just as government cannot reasonably be expected to bear the full cost of repairing the public infrastructure, we cannot repair or replace all facilities at once.

Choices must be made. A first priority, for example, might be afforded to projects that are crucial to economic revitalization; for example, key local roads and bridges, port facilities, public transit, and water and sewer facilities that serve industrial and commercial users.

In this connection, a very useful task could be performed under Senator Moynihan's bill, which calls for the preparation of a national infrastructure improvement plan.

Development of such a plan would require setting priorities among national and regional infrastructure needs by types of facility.

We believe that some priority-setting process at the Federal level, together with flexibility to meet local priorities, is essential in your development of any comprehensive infrastructure program. We urge you to include representatives of all levels of government and the private sector in that process.

Furthermore, the development of Federal capital budget, as called for in S. 23, would help to set priorities for Federal support of a wide range of infrastructure investments. As you know, Mr. Chairman, Federal aid for infrastructure is already substantial, particularly after enactment of the Surface Transportation Act of 1982. A capital budget would provide a mechanism for continuing analysis of what the Federal Government supports and to what extent, laying the basis for any changes that might be needed.

Third, we would urge full attention to the very difficult problem of rehabilitation and replacement of public facilities. Although most existing Federal infrastructure programs permit both rehabilitation and the construction of new facilities, it is, frankly, all too easy to choose to build new facilities rather than rehabilitate the old ones.

Because of the gigantic costs involved in this area, efficient use of both public and private funds should insure that a careful comparison is always made of the costs involved.

Whenever rehabilitation offers significant savings, new construction or replacement should be undertaken only for the most compelling reasons. In fact, you may want to consider specified incentives or higher levels of support for repair and rehabilitation than for new construction or replacement.

This is not to say, Mr. Chairman, that we regard the infrastructure problem as primarily one of repair and rehabilitation, although it clearly is in some communities. In others, however, the problems involve primarily growth and the need for new public facilities to accommodate that growth. A comprehensive infrastructure program must involve both rehabilitation and new construction.

Finally, Mr. Chairman, we would urge the committee to focus its attention directly on infrastructure needs, a serious and long-term problem that will require years of patient and determined effort. The country would have to deal with this problem even if national unemployment were low or there was little or no youth employment.

Therefore, we believe that the immediate job-creating titles of your bill, titles III, IV, and V, dealing with countercyclical assistance, historic sites, and youth unemployment, should be the basis of a second jobs bill.

We support enactment of such a bill to help reduce the Nation's highest level of unemployment in 50 years, and we will submit detailed comments on these bills to you shortly.

We do have serious reservations, however, on title II of your bill, which would terminate the EDA program and replace it with one administered by the Secretary of the Army through the Corps of Engineers. We see no good reason to place long-term economic development functions with the Secretary of the Army after two decades of such experience in the Economic Development Administration.

The House Public Works and Transportation Committee, as you know, has reported H.R. 10, which would make substantial reforms in the EDA program, including a stricter targeting of funds to communities with serious problems of long-term distress. Senator Mitchell of this committee has introduced similar legislation, S. 871. We strongly support these bills.

Senator STAFFORD. Thank you, very much.

Ms. BELLAMY. Thank you, Mr. Chairman.

Senator STAFFORD. If S. 724 were to become law, how would you recommend that the money be spent in New York City? If you care to respond to these questions in writing rather than here, it would be acceptable to the committee.

Ms. BELLAMY. I think that would be appropriate, given the diversity of the cities represented by the League of Cities. To offer you one simple response at this point would probably be inappropriate, but we would be glad to submit written responses to the questions.

Senator STAFFORD. All right. What is your view of the need and the value of an assured funding mechanism, possibly through a form of dedicated revenues, for such programs as title I of 724?

Ms. BELLAMY. We believe that dedicated revenues may be appropriate, but it should be recognized that they will not be easily raised. With so many current demands on the Federal budget, it is hard to justify any earmarking of funds for any single purpose. We will look into this, however, and get back to you.

Senator STAFFORD. Would you discuss the advantage, Madam President, of a block grant approach as contained in title I of S. 724, if you perceive, there are, of course, any advantages?

Ms. BELLAMY. Well, the advantage is obviously flexibility. For some localities the infrastructure problem is a matter of rehabilitation, for others, it is new construction. For some it is port facilities, for others it may be a water delivery system. The block grant approvals would allow for needed flexibility.

Senator STAFFORD. Thank you very much.

For all members of the committee, I intend—assuming there will be unanimous consent—to reserve the right to submit some questions in writing to you, if that is agreeable for your early response.

Ms. **Bellamy**. We will be glad to answer those questions, and, as I indicated, we look forward to providing you the information from our needs survey of cities within the league.

Senator **Stafford**. Thank you very much.

Senator Randolph, the floor is yours for questions and to introduce your guests who are with us this morning if you wish to do it.

Senator **Randolph**. Thank you very much, Mr. Chairman. As you know, for many, many years it has been your custom, in fact, the custom of all of the members of the committee, when there were special guests present, to have those people presented very quickly. We will do that this morning, and I will ask the students to stand before I make the formal introduction. Will you please stand?

Mr. Chairman and our guests for the hearing, Madam President, Jefferson County is one of 55 counties of West Virginia. I do not need to tell you that it's named after Thomas Jefferson, and he was very familiar with Jefferson County, W. Va. It's the county that is located in what we call the eastern panhandle of our State. You have heard, of course, of Harpers Ferry National Historical Park and of the beauties and, of the history of that area.

Susan Knott is here today in Washington with the students from Jefferson County High School, and Susan, would you take just a moment to say what these young people are now studying in the school?

Ms. **Knott**. This is a contemporary issues class, and we are here to study first-hand the legislative process, and we are getting a good look at it this morning with your gracious assistance. Thank you.

Senator **Randolph**. Thank you very much.

We are very grateful that you came by. Thank you.

Senator **Stafford**. Thank you very much, Senator Randolph.

Let me add my welcome to yours to these young people from Jefferson County. As I had this chance to see them, I would say we would be glad to claim them in Vermont if they should ever feel inclined to leave West Virginia.

Senator **Randolph**. Mr. Chairman, I am sure they would claim you, too, sir, in both ways.

Madam President, I did not have the opportunity to listen to the earlier portion of your statement. I shall read it very carefully.

I hope that this question is not flippant in any sense: A few years ago the Congress was asked essentially to bail out New York City. You are the president, is that correct, of the city council?

Ms. **Bellamy**. That is correct.

Senator **Randolph**. I understand that now New York City, in the past year, is in the plus situation rather than the minus in the operation of that city. Am I correct in that?

Ms. **Bellamy**. Yes, sir. We are in the third year of a budget balancing process using generally accepted accounting principles.

Senator **Randolph**. We better have her appear in every committee here in Washington, D.C. and tell us how you do it.

I wanted that to be placed in the record. Sometimes, very frankly, the conditions can be so deeply depressed, dollarwise, that we wonder how we can come out of our difficulties.

What you are saying today is that you strongly believe in the public works projects that go toward strengthening the facilities of a city or a rural community which will mean a better pattern of living for the men and women and children who live there?

Ms. BELLAMY. Yes, sir. Revitalizing the physical plant of our cities and work areas is a major issue for our economy.

It is not just limited to my city, and that's why we in the League are doing this nationwide study in conjunction with the Conference of Mayors. We do believe that Government has to play a role, but as my testimony indicates, we believe there is a role for the private sector, as well, if enough dollars are to be available.

Senator RANDOLPH. It is a cooperative effort, then, with the taxpayer at the base. Is that correct?

Ms. BELLAMY. That is correct. There are studies that show that the taxpayer will benefit economically from an adequately maintained infrastructure.

Senator RANDOLPH. I certainly agree with you.

I am saying, though, that it goes back to the person, the individual who is paying the taxes.

Ms. BELLAMY. That is correct.

Senator RANDOLPH. Yes, and then those taxes, of course, go toward the operation of a community, rural or the great city of New York.

We have to have, therefore, a cooperative effort; isn't that right?

Ms. BELLAMY. That is right.

Senator RANDOLPH. It's got to be there, and if there is a complete fallout or an inattention to a government structure giving its influence in dollars, then we all lose, isn't that correct?

Ms. BELLAMY. I believe so.

Senator RANDOLPH. Whether it is West Virginia, New York State, or Vermont, we are part of a cooperative effort in this country. I don't want to harp back just because I was here in the first 100 days of the Franklin Roosevelt administration, but I do know that there are times when the country must be unified, and I think today, if I may say it, Mr. Chairman, I am concerned about a confrontation which goes beyond differences and becomes divisive in this year in which we live. This concerns me. It worries me.

I point to the fact that President Roosevelt, 2 days after he was inaugurated, on March 6, except for some 17 States whose banks were partially closed, he closed all of the banks in the United States of America.

He was accused of destroying the banking structure of this country. Just the opposite. He meant to preserve it, and even though he used powers that he said he possessed, let's say he was unorthodox in what he did, he always believed in the preservation of orthodox institutions.

So 3 years later, instead of all the banks in the country being closed, they were open, and the people of this country had confidence, once again. The Secretary of the Treasury contacting Franklin Roosevelt as he toured across West Virginia in his first campaign for reelection, he said, in essence, "Mr. President, in the last 12 months, there have been no bank failures, in this country."

This is the first time it's happened in 55 years.

So I do think that we have the ability, even now, the resiliency, I hope, to do what we were doing 50 years ago: To have the people not necessarly agree on all of the patterns that we are trying to patch together but believe that we can do it.

Do you believe that, Madam President?

Ms. **BELLAMY.** I do, sir.

Senator **RANDOLPH.** Thank you very much.

Senator **STAFFORD.** Thank you very much, Senator Randolph, and thank you very much, Madam President.

We appreciate your being here.

Ms. **BELLAMY.** Thank you.

Senator **STAFFORD.** The next witnesses will be a panel, and the panel will consist of Mr. David Olan Meeker, Jr., executive vice president of the American Institute of Architects, Michael Ainslie, president of the National Trust for Historic Preservation, and Mr. Eric Gilbertson, director, Vermont Division for Historic Preservation.

If you would be kind enough to take the witness table?

Gentlemen, we never have enough time to do justice to all of the important people who come before this committee or any other committee in Congress. We always seem to have too little time to do things as thoroughly as we should. That means that, with some embarrassment, we have to ask our witnesses to summarize their statements in as brief a fashion as possible, getting across main points.

Wherever we have written statements, they will be made part of the hearing record. I am acquainted with my fellow Vermonter who is here, Mr. Gilbertson, but Mr. Meeker, I'm not sure we have met.

Would you identify yourself?

Mr. **MEEKER.** Yes, sir.

Senator **STAFFORD.** And Mr. Ainslie?

So Mr. Meeker, we will start with you. I, again, point out you are the executive vice president of the American Institute of Architects. We are very happy you are here.

## STATEMENT OF DAVID OLAN MEEKER, JR., EXECUTIVE VICE PRESIDENT, AMERICAN INSTITUTE OF ARCHITECTS

Mr. **MEEKER.** Thank you, Mr. Chairman.

I would like to enter our statement for the record and give a brief summary and be prepared to respond to questions, either verbally or in writing as you care to direct them.

Senator **STAFFORD.** Thank you. That would be agreeable.

Mr. **MEEKER.** I would give a bit of background so you may understand biases of the testimony and my own views.

In another incarnation, I served for 40 months as an Assistant Secretary of Housing and Urban Development, particularly for community planning development, and my principal responsibility at that time was the development of the policy of legislation and implementation of the community development block grant program.

So many of the remarks that I will make today will reflect some of that experience and some of the bias attendant to it. There has been a great deal of conversation, of course, about the necessity for the infrastructure, and I will not dwell long on it except to suggest that we are in agreement with the Associated General Contractors and others who suggest that somewhere between $275 billion and $300 billion will be required to deal with this problem over time: The water supply distribution, sewage treatment and bridges.

But we do feel that it is important, as we view this bill or these bills, that we recognize that there are other forces in the Government which, to some degree or another, are already working on this particular problem. The Department of Agriculture still operates a water and sewer program, the Community Development Block Grant program is involved in water, sewer, paving, historic preservation and rehabilitation activities.

The EPA still has a relatively large fund for water treatment which has not been spent, and the thrust of this discussion is that these bills, in our view, represent an opportunity to harmonize a series of government activities carried on in various domestic departments and lead to some greater impact that an individual department of programs has at this moment.

The timing of the legislation is absolutely proper. The need is there. The construction industry is underutilized due to recess. The AIA supports both S. 532 and 724 which provides for State control over programs. But we do have a concern about the involvement of local government, and particularly, the lack of any clarity about the role of counties.

There are about 3,900 counties in this country, if my memory serves me, and about 100 of them are designated as urban counties in the community development block grant program. These are important issues in dealing with rural areas, because county government, in many rural areas, represents the only point of government which is full time professional and has the ability, because of its unique structure, being both executive, legislative, and judicial in many, many States.

So we would urge that the county be brought into this in a major way. We believe that the State infrastructure plan should be developed in consultation with local governments, but there should be time for public comment about the weighting of these particular projects within the community. We believe that it is essential that the State certifications be a part of this, and we would urge conside'ation to a program which, in its administration, basically will call for a specific time frame for the disapproval of these applications.

There is discussion of a 30-day period; the block grant program at HUD calls for 75 days, but it is our view that whatever your time frame ultimately turns out to be, that an application shall be deemed approved unless the Secretary finds a specific reason not to authorize it.

We believe the role of certification by States and local governments are an essential aspect of moving the program along. We have some concern about a needs-based formula. There is discussion, in one of the proposals, that it's a relationship of paved highways within a State. Our general observation is that this may inadvertently, with a formula of this type, cause great distress.

For example, the State of Virginia maintains an extensive county road program which is unpaved, and in the State of Virginia, this kind of balance, I think, of paved roads to unpaved might work in a way which is not the intention. And in that area, we would urge that the formula on a needs-basis be a requirement of the bill, but that it be developed by an appropriate council which would have a greater access to the formula.

We believe there should be some consideration of passthrough to cities of 50,000 and above and to urban counties as part of our discussion. We support the revolving funds, because they will be a continuing source of supply.

The requirement to repay the funds at suggested levels may prevent participation of economically distressed communities, and we ask that this seriously be examined as to what the pay-back will be.

There also needs to be some clarification of what must remain in the fund and how long that fund would be outstanding. Perpetuity is used, but there is a lack of clarity whether the fund is based at the level of the Federal contribution or what its character would be.

And the repayment issue, I think, needs to be thought through very carefully, because it could inadvertently tilt the program to more affluent communities or could tilt the program more strictly toward user fees.

In the area of public buildings, we think this is an important part of the bill. In S. 724, there is an authorization for public buildings. In S. 532, there is either the encouragement or discouragement of public buildings repair.

The AIA supports explicit inclusion of public buildings, because we view them as an essential portion of the infrastructure of the community. They represent the places of identity where local governments impact on citizens through the provision of services.

The program administration, in our view, should require a rapid inplementation. It should be a statement within the legislation that the Congress expects this to be acted upon by the executive branch within a specific period of time. We think it is important that there be close coordination among appropriate Federal agencies in dividing governing rules and regulations.

In this area, we would urge, rather than reinventing the wheel, that we take a look at such things as the financial requirements of general revenue sharing, which States and localities are well familiar with, as a guide for dealing with this, the activities which are in the community development block grant program and the rural development program of Agriculture and others, so that we can make a synthesizing and harmonizing activity here with substantial impact.

We support the infrastructure council concept of S. 532. We feel the program should be administered by Federal domestic agencies, because they are more attuned to the needs and the concerns of the localities.

This is not to say that there is a negative involvement with the Corps of Engineers. We believe the corps has some role in this, but to move the program into the Department of the Army seems, to us, to be somewhat of a strain.

Our view of the council would be the domestic areas of the Government plus the corps and the EPA Administrator.

We would suggest that possibly this council be chaired by the Secretary of Commerce, and we would urge you to consider the provisions which were adopted in the National Environment Policy Act of 1970 which established the lead agency and delegated to all of the other executive branch agencies specific responsibility for portions of the act.

This view, we think, and this precedent would allow a strong program to be developed rapidly and would deal simultaneously with the development of infrastructure and provision of jobs.

As I stated, we believe that an application should be deemed approved unless a specific finding is made that there is an inallowable activity. We also would urge that the Congress, in order to give weight to this thing, consider that in the event this program does not move along or there appears to be activity on the part of the executive branch to stall it, that you resurrect again the antideferral and antiimpoundment legislation of 1947 which would require the executive branch either to move the money or to put up for deferral or rescission.

As I mentioned, we are concerned about and hope that you will recognize the opportunities for consolidation of existing programs into this mix which deal with similar subjects.

I would like to speak for a few minutes concerning the area of historic preservation which Mr. Ainsilie and I have a shared interest and concern for.

We wholeheartedly endorse title IV of S. 724, the Historic Site Development Jobs Act of 1983.

I think it is important for us to recognize that using executive branch figures, that approximately 80 percent of all of the buildings which exist at this time will exist at the turn of the century.

The condition in which they exist will be critical to the well being of our communities.

Rehabilitation has been well documented by the AIA and the National Trust as being more efficient in terms of energy consumption and more efficient in terms of dollars and has a far lower impact on communities in terms of relocation and other activities such as that.

We would urge that you give recognition not only to historic buildings, but to historic places. Because the essence of neighborhood development and preservation and strengthening often, in a community, is allowing the citizens in a neighborhood to have a sense of place.

Often, the titles by which neighborhoods identify themselves can have a strong impact on the cohesion of a neighborhood.

I would think this came off the cuff of a buckeye in Cleveland, for instance. I have no knowledge about why a portion of Cleveland is called Buckeye, but there must be a history and a rationale which would give people some sense of place.

It seems to me when we deal with place, we also ought to deal with the provisions of the 1977 tax amendments, which allowed local governments to designate historic areas which were eligible for tax credit; at the same time, building around either a place or a historic building a coherent, cohesive neighborhood.

So we would urge that you develop that.

We believe that the inner-city venture fund is critical to the success of what you are attempting to accomplish in the historic preservations program.

We applaud the attention to historic structures. They have obviously been inadequately dealt with within the executive branch. We do suggest that they are magnets about which a broader strategy may be deleloped, and we both commend and urge that the inner-city venture fund be a strong and continuing part of this program.

Mr. Chairman, I believe that I am reasonable within my time span, so I will respond to questions verbally or in writing.

Senator **Stafford**. Thank you, very much, Mr. Meeker.

We, again, appreciate your being here. You have done well on time, which, again, we appreciate.

When I first saw your name, and before I read your title, I was trying to place you in Middlebury, Vt., of which there is a prominent family of lawyers in that town; I believe you could claim it if you wanted to, but it is a very nice family.

Mr. **Meeker**. It is a very nice family. Only two names from that family came with that name, spelled one way getting on the boat, and spelled another way upon arriving.

Senator **Stafford**. The next witness would be Mr. Ainslie.

We would be very happy to hear from you.

## STATEMENT OF MICHAEL L. AINSLIE, PRESIDENT, NATIONAL TRUST FOR HISTORIC PRESERVATION

Mr. **Ainslie**. Mr. Chairman and Senator Randolph, it is a pleasure to be here representing the National Trust, our 135,000 members across America, but more broadly, the 2 million or so Americans who are actively involved on a daily basis in historic preservation.

Who are those people?

Perhaps many people still think they are the gray haired and blue haired ladies of the past who fought to save some of our great monuments in our country, and thank God they are still working for preservation. But we have broadened preservation very significantly in recent years.

They are neighborhood leaders like Jose Ovalle, who will speak to you in a moment, from Chicago.

They are developers who, in the last year, just the last year, have invested $1.2 billion under the 1981 ERTA investment credit provisions.

They are laborers, now finding new skills and new employment in historic preservation. They are mayors, mayors all over this country who are seeing preservation as perhaps the only viable strategy for reviving our older cities.

Preservation has truly moved beyond history and very much into the center of real estate activity in our country, or as the president of the Atlantic Richfield Foundation stated to me recently, after finding out about our inner-city ventures fund which I will elaborate on in a moment, he said, "You all have really moved beyond the arts business and into broad based community development."

I could only agree with him. This is why we are truly committed and truly commend your committee for the bold initiative of title IV of S. 724 which, in fact, I think, for the first time in public law, attempts to link employment and historic preservation, a linkage that we feel very strongly exists.

Let me say that we have been in the jobs creating business in a very real way.

Take, for a moment, our main street program, a national initiative at reviving small-town center cities that have been decaying.

In the last 2 years alone, in the 29 small towns that we have been active in a demonstration program, we have seen the creation of 340 new businesses. New businesses that have come about because of comprehensive effort to revive those downtown using historic preservation as the backdrop.

We have also analyzed carefully the UDAG statistics of HUD and found that in the projects that were preservation projects versus the new construction projects under UDAG, 35 percent more jobs were created per dollar spent than in the new construction projects.

In fact, those statistics are biased because in many of the preservation projects, there are parking lots and other things that dilute the job intensity of preservation.

Let me turn for a moment to the two specific components of title IV and give you our comments on those.

As you know, there is a State block grant program of $500 million called for under title IV: $500 million that would go to State historic preservation officers to then be put out to restore and revive historic districts, historic sites, historic buildings in the States.

This is following on the lead of the Congress in the jobs bill phase 1 which provided $25 million for the State preservation officers. We think that this is a most important initiative and one that could be put to work very quickly. It will be addressed more fully in later testimony, so I will move on to the other key component of title IV.

Perhaps some are wondering what is the inner-city ventures fund, an initiative that is now over 2 years old, begun by the National Trust in 1981.

Well, the inner-city ventures fund is, very, very simply put, a venture capital fund for creating low and moderate income housing in historic districts throughout America. It is a fund to provide equity grants to neighborhood organizations, nonprofit organizations, to buy and rehabilitate real estate to become equitable owners in their own community. Too, if you will, to have a stake in the future change that is almost inevitable in our historic districts around the country.

This is a program that has already demonstrated a very successful track record. There are 19 neighborhood organizations already at work with some $22.5 million dollars of rehabilitation underway.

Almost $20 million of that $22.5 million has been provided by the private sector through bank loans, through matching grants from local foundations and through some funds from local government.

The demand for this program is enormous. In three rounds of applications, we have had $20 million of our money, which would be leveraged into $169 million of rehabilitation, in these inner-city neighborhoods. Another 275 neighborhood groups who have real estate options readily to go if money were available.

So we are quite confident that the $25 million would quickly translate itself into a minimum of $200 million of rehabilitation, and we estimate some 10,000 construction jobs in these communities.

In closing, let me just say that, again, we want to commend your committee for exhibiting, we feel, really extraordinary wisdom in defining the term 'infrastructure' broadly. By defining it to include our cultural and historic infrastructure in this country, we think you have plowed new ground and have begun to broaden, as we are attempting to do, the understanding and the use of historic preservation as a method for getting our country to work again.

It is a pleasure now for me to introduce, as part of my testimony, one of our recipients of inner-city venture funding, Mr. Jose Ovalle, the executive director of the 18th Street Neighborhood Development Corp. from Chicago.

He would like to speak for a minute and tell you about the way this fund is working in his community.

Thank you, very much.

## STATEMENT OF JOSE OVALLE, EXECUTIVE DIRECTOR, EIGHTEENTH STREET DEVELOPMENT CORP.

Mr. OVALLE. Thank you, very much.

The 18th Street Development Corp. is located in one of the oldest neighborhoods in the city of Chicago. This neighborhood is called Pilsen. We also have one of the highest unemployment rates in that particular neighborhood.

The 18th Street Development Corp. objectives are two-fold: No. 1, to train minority youth between the ages of 16 and 19 years old to be prepared to gain entrance into the contruction industry.

The other objective is to rehabilitate the so-much-needed living quarters for low-income families in the neighborhood.

As a result of the delivery system of the 18th Street Development Corp., we have gained agreements with three different labor unions to have our trainees accepted as apprentices within the construction industry.

These three different labor unions are the carpenters, one of the largest labor unions in the area, the plasterers, and the bricklayers, and we also have an association on the negotiation table, two other agreements that would be forthcoming in the near future, which are the sheetmetal workers and the painters.

As of December 1982, we have graduated over 85 trainees which are at the present time working as apprentices with the labor unions.

Of these 85, we have at least 15 graduated individuals who are already journeymen.

These same trainees do work with us on rehabilitating properties 4 days a week, and 1 day a week they go to the trade school, which means that they do get all the technical assistance necessary and all the technical experience before they come in as apprentices.

These able apprentices are rated at 6 trainees per 1 journeymen. These same groups have already rehabilitated 24 units which are occupied at the present time by low-income families in the neighborhood.

In 1981, Congresswoman Cardis Collins conducted a hearing in Chicago because of the Government cuts in CETA training programs. At that time, the 18th Street Development Corp. proved—and there is a record—that these same trainees, after graduating from our training programs, became apprentices and in less than 3 years, they pay back to the Federal Government in tax revenues the money they spent in their own training.

To us, it is a very meaningful action due to the fact that many of these trainees were previously unemployed, with no duration in employment, unemployable, and some of them were members of families who were on public assistance.

As you well know, the recent budget cuts created one very big problem for our organization as well as many other organizations which meant that we were discontinued; all the materials for construction of these properties and for training were discontinued; all the equipment, tools, and some of the administrative costs that we had were discontinued.

We are very fortunate that the National Trust for Historical Preservation came to our aid and not just because of the great loan that they provided us but also because through their experience and through their help, we were able to open other gates and we were able to continue our programs; but above all, the technical assistance they provided to us, No. 1; and No. 2, the guidance they gave us into other sources of funds. We are still very much alive, and we are very hopeful that our training programs are going to continue.

Thank you, very much, Mr. Stafford.

Senator **Stafford**. Thank you, very much, Mr. Ovalle.

We appreciate your participation, and I have enjoyed looking at the slide show.

This brings us to my fellow Vermonter, Eric Gilbertson, who is the director for the Vermont Division for Historic Preservation.

We would be very glad to hear you, and welcome to this committee in Washington.

Mr. **Gilbertson**. Thank you, very much.

I have brought with me another Vermonter in exile, Peter King, who is the former grants manager for the Vermont Division for Historic Preservation and is now executive director of the National Conference of State Historic Preservation Officers.

I have also brought with me a book that has some photographs and quotes about what historic preservation has done in Vermont that was done by the Preservation Trust of Vermont, our private preservation organization in the State.

Senator **Stafford**. Thank you.

We are glad to welcome Mr. King, and the chairman has enjoyed looking at the pictures of so many buildings that he, as a result of 30 years of statewide politics, recognizes.

## STATEMENT OF ERIC GILBERTSON, DIRECTOR, VERMONT DIVISION FOR HISTORIC PRESERVATION

Mr. **Gilbertson**. Good.

I welcome this opportunity to speak on a topic that observations over the last 10 years have made me feel very strongly on: The many benefits to people of funding for historic preservation projects.

In addition to preserving our national heritage, which we all agree is important, this funding produces long- and short-term jobs, new opportunities for tourism and significant private investment, an increase in the local tax base, as well as making what we have already invested—skill, time, and energy—in useful and rewarding again to the people of this country.

Title IV of S. 724 would do all these things in a program that is a model of Federal, State, local, and private cooperation.

A large part of our national heritage consists of the accumulation of the various pieces of our local heritage and the States have been identifying this local heritage since 1966 under the auspices of the National Historic Preservation Act.

They are now ready to move forward in helping those resources that they have identified. Title IV is an opportunity to link the past to the future through our efforts in the present.

Importantly, Vermont has had direct experience in administering funds appropriated to create jobs for historic preservation projects.

In 1976, title X of EDA appropriated $1.2 million to the State of Vermont through the Bicentennial Commission to do preservation projects. Many of those projects are pictured in the booklet, "Historic Preservation in Vermont," that I have passed out.

This money went toward rehabilitating 128 buildings in 23 communities. Over 900 people were employed by these projects; 300 of those came from the roles of the unemployed. A total investment of $3 million was created in the State stock of historic buildings.

In Rutland, for example, $350,000 in Federal investment produced $1.1 million in projects due to investment of private lands.

We were able, under this program, to get dollars out to the public less than 60 days after receiving notice of our grant award from EDA.

We were able to do this through administrative procedures that gave the States discretion in action and made the communities and private property owners part of the process.

Title IV, I believe, would continue this expeditious way of administering Federal funds.

State programs in historic preservation are mature enough to handle the administration of these programs according to the guidelines established by Congress if the purposes are clearly stated in the legislation.

I would also like to point out that historic preservation projects really reach out into communities and involve people. Our application process under title X of EDA was based on specific work on specific buildings, a concept that property owners and government in small towns can deal with.

We have found that small towns and villages simply cannot deal with the complicated applications that are required for many Federal programs, and they have no professional staff to assist them.

Many towns in Vermont that receive funds under our program, the only full-time employee is the road commissioner, whose primary job is to drive the snowplow.

Using these funds on buildings, importantly, I think, attracts private funds and local funds in a ratio of at least an equal match or a 50–50 basis.

Our experience shows that we are more likely to find investment of 70 percent in private funds and 30 percent in Federal funds.

In Rutland, I think significantly, the banks got together and created a loan pool to match our Federal funds at a beneficial interest rate, 1 percent above prime, with a 10-year payback to enable people to participate in this program.

There, it became a real community project. I think it is also important, in terms of getting these funds out to the public and creating jobs quickly, to point out that it would utilize an administrative system already in place.

The State historic preservation programs have identified projects through their survey and are experienced in the intricacies of administering Federal funds and have contacts in the local communities so as to rapidly solicit projects.

I would like to point out one thing in the proposed legislation that causes me some concern: The 25-year requirement to maintain the building. I certainly think that there should be a requirement to maintain the building, but I would prefer to see it based on some kind of a progressive system based on the amount of money that is received to the project. Because many of the grants that we gave out under title X of EDA were just a few thousand dollars. To ask a property owner to tie up his building and his ability to do things with it for 25 years, I think, is unreasonable in that case.

There already is a system in place for covenants on a pro-rata basis with the Federal funding program.

I would also like to point out something critical about historic preservation projects: They utilize an existing support infrastructure.

The services, utilities, electricity, are all there waiting to be used again. They do not create additional burdens for the property owner nor for the towns in which the projects are located.

There is a protection here against the disruption that large public works projects can provide and stimulate in small communities.

Historic preservation projects provide job training in the fastest growing sector of the construction industry: Rehabilitation.

These jobs will not become obsolete as technology progresses. They will be needed continually, not only to work on historic buildings, but also to work on the rest of the existing building stock.

The permanency of these jobs that are created, I think, is illustrated in several ways. In 1976, when we carried out a project on the Burlington waterfront, a very critical project, the ice house, a construction company was formed out of largely unemployed workers that continues to do preservation work in the State of Vermont, thereby providing permanent employment for previously unemployed people.

A contractor in Montpelier reluctantly hired a job foreman out of the ranks of the unemployed. He is now their top foreman, has purchased a house in the town, and is a contributing part of that community.

There is a mason that turned into a masonry contractor as the result of the stimulus of the EDA project that allowed him to purchase equipment. He now has an ideal situation where he works his crew in the summer in Vermont and goes south to do historic preservation projects during the winter, creating employment on an interstate basis.

We also intend, if this money is appropriated, to find a project as a demonstration workplace that would support the newly constituted Preservation Crafts Institute in Vermont. This has been created by historic Windsor to train people in the skills required to do preservation work.

We think that we could provide several buildings that would serve as workshops and hands-on training for these people.

I think it is critical that these projects do provide permanent jobs and housing in areas where they are needed without major displacement.

I would like to point out that the Battery Street historic district in Burlington, the key project I mentioned before (the Ice House) transformed a mattress factory with three employees into a restaurant, and an office complex that now houses 60 jobs. The resulting spinoff projects have produced over 200 jobs in the Battery Street historic district, transforming a rundown waterfront neighborhood into a vital commercial and office area into one of the nicer areas of Burlington.

Thus, I think it is clear to me that title IV of S. 724 would create jobs, train people for future employment, and create space for new, permanent jobs that is already served by an existing infrastructure.

However, personally, the most exciting part of dealing with historic preservation projects is watching property owners, towns and villages and neighborhoods and cities gain new respect for their heritage.

What we create in many ways is a large outdoor museum that has the ultimate in public access. It deals with the man on the street, not just those that are seeking out a cultural experience. It makes a real and lasting impression on people. It utilizes and teaches respect for those who came before and the quality of the construction work they did.

It has changed town planning attitudes from denying the heritage of the town by trying to cover the old buildings with aluminum facades to respecting the character of their buildings and utilizing it in the town planning process.

I think that it is very critical for our Nation, in this time of things that happen so fast in a rapidly moving society, to preserve that sense of time and place, a place where people can go and realize what our society was and where it came from.

This kind of legislation gives States, all the States, an opportunity to educate each other about their own heritage and, thereby, the Nation's heritage through tourism, a major industry across the Nation.

We have already received requests for far more than the $400,000 allocated for historic preservation projects under phase 1 of the jobs bill.

Over the last 2 years, I have had to say "no funding available" several times each week to people who had the resources to match Federal funds, had the buildings and were ready to move forward with projects but were limited by high interest rates and the inability for them to capitalize the project.

What we have been able to do in those last 2 years is carry out planning projects in a number of cities and towns in Vermont, and through these planning projects, we can identify a number of historic preservation projects that could be carried out with the money appropriated under title IV of S. 724.

St. Albans, for example, has three major buildings that are eager and ready to go with some kind of assistance to start about $500,000 worth of construction work.

I have a letter in my office from a group in Rutland that wants to transform a vacant theater into a performing arts center, probably at a cost of around $75,000.

The city offices in Vergennes is in need of about $100,000 worth of work. I could go on and on and cite projects all over the State even though I have only been thinking about it for a few days.

The need and the private dollars are out there to begin this project immediately. As you can see, I support title IV of S. 724 and believe it can be administered for the purpose of preserving our heritage and creating jobs.

I would like to close with a quote from Burt Moffat, who is the village manager in Randolph and town manager in Bethel, and that creates some confusion, but when we speak of our title X EDA project, he said, "It is the best Federal-State-local program to come down the pike."

Peter King is here to answer any questions you may have, and I will answer any either verbatim or in writing.

Senator STAFFORD. Thank you, very much, Mr. Gilbertson.

We appreciate the detailed exposition of the opportunities in Vermont that await us and those that we have taken advantage of.

As an aside, the Chair will comment that any offices in Northern Vermont are located in Champaign Mills in Muneskie, which you referred to, and we are quite pleased with the new starts.

You also mentioned the historic road commissioners of Vermont. I can comment that before secondary and rural highways generally became paved, as you may remember—but maybe I am older than you—the town commissioner also had the job of locating a gravel pit, preferably on a farm of someone who was a member of the family, because for God's sake, "Let's keep it in the family if it is legal."

And then he had the job of running the road scraper after the mud season and then graveling the roads, and that kept him busy until the snow started to fly again.

Let me ask you all for very brief comments, if you will:

How does the preservation of historic structures, public and private, contribute to the tourist industry, if it does?

Mr. Ainslie?

Mr. **Ainslie**. Mr. Chairman, if I might just give you one example of the city of Savannah, Ga., today has $190 million of tourism.

Twenty years ago, before its preservation movement got into gear, it had about $3 million.

It contributes in very significant ways, and I think one needs to look only at Boston and Baltimore, the inner harbor in Baltimore; preservation and survival of cities and communities is a magnet.

People want to go places that are humane in scale and human in scale and have the kind of character and history and enjoyment that historic communities and neighborhoods and buildings provide.

Senator **Stafford**. Is there any disagreement with that comment?

Mr. **Meeker**. Absolutely not, sir.

Senator **Stafford**. Do you find in your experience that people in towns and villages themselves are interested in the preservation of historic buildings and sites?

Mr. **Meeker**. I would say, sir, that since the whole issue of rehabilitation has become a major economic factor, that that is pretty well established by the statistic that about twelve years ago, rehabilitation as an economic aspect in the construction industry was so small that it was not accounted for.

The current projection is that by 1985, rehabilitation will amount to one-half of all of the construction and will continue to rise.

A substantial portion of that has been driven by the initial concept of historic preservation of distinct buildings and has now been expended to whole neighborhoods and areas.

Senator **Stafford**. Mr. Meeker, let me continue with you for just a minute.

As you may have suggested, AIA is concerned that neither S. 532 nor S. 724 provides an "adequate involvement of local governments" in a State program, how could that be overcome?

Mr. **Meeker**. I believe that in the bill, sir, that if you will aknowledge, as we have suggested, that in certain States there is a role for townships and/or county government according to the makeup in the bureaus, I believe we ought to look at those and those requirements for a consultative process within the development of the State plan.

Senator **Stafford**. Thank you.

Mr. Ainslie, what do you think we should do to step up the use of the Public Buildings Cooperative Use Act which became law in 1976?

Mr. **Ainslie**. Well, we are giving Mr. Carmen of GSA an award on May 5. He was one of the first people to respond, accepting the award, saying he would be there to receive it.

We have had our troubles with GSA, but I think they are moving in the right direction. Any urging you can do when they testify before you to take that law seriously, we would most appreciate it.

Senator STAFFORD. We have had our troubles with GSA in the last several years also, but, Mr. Carmen seems to be doing better than most.

Mr. AINSLIE. I think so.

Senator STAFFORD. Besides provisions such as those in title IV, what other steps, Mr. Ainslie, could the U.S. Government take to encourage historic preservation?

Mr. AINSLIE. I mentioned in my testimony the impact of the 1981 investment credit provisions, and I know that as revenue estimates come back to the Senate and the House that those provisions are going to be under close scutiny. I can only say that they are truly having a tremendous impact in communities.

They really have changed the bias that existed in our Tax Code for 40 years favoring new construction with nore accelerated depreciation, et cetera.

I think continuing those incentives is, at this point, one of the most important ways that Congress could continue to support that.

Mr. MEEKER. Mr. Chairman, if I could respond to that?

Senator STAFFORD. Mr. Meeker?

Mr. MEEKER. There is about a 30-year trend where Federal tax policy has encouraged investment in equipment as opposed to buildings. This particular act began one of several important reversals of investment patterns. And with the shortage of capital that we are already facing currently for the foreseeable future, I believe we should be very careful in eliminating that first of several very strong statements about the role of rehabilitation, particularly when so much of our building stock will be with us at the turn of the century and does require adequate and prompt investment to save it.

Senator STAFFORD. Thank you.

Mr. Gilbertson, you listed a lot of projects in Vermont, but I will ask you this question.

If you could be brief in your response, and add to it in writing, if you wish.

How would you specifically recommend the expenditure of $3 million in title IV money in the State of Vermont?

Mr. GILBERTSON. I think I better respond to that in writing.

Senator STAFFORD. All right.

We would be glad to have you do it that way, and, gentlemen, we are most grateful to you for being here. We will have some additional questions that we would like to submit to you in writing if that would be agreeable for your response at your early convenience.

On behalf of the full committee, I want you to know we are grateful for the tine and effort, the travel that you have been involved in to be here and help this committee in this undertaking.

We appreciate it very much.

Thank you.

Mr. AINSLIE. Thank you.

Mr. GILBERTSON. Thank you for the opportunity.

Mr. MEEKER. Thank you.

Senator **STAFFORD**. The next panel is a panel on economic development organizations.

The panel will be Chris Page, the executive director, Economic Development Council of Northern Vermont, on behalf of National Association of Development Organizations; D. Kenneth Patton, on behalf of the National Council for Urban Economic Development; Richard C. Hartman, executive director, National Association of Regional Councils.

Gentlemen, welcome.

Would you identify yourselves, please?

Start at your right, my left.

Mr. **PAGE**. Chris Page of the Economic Development Council of Northern Vermont in St. Albans, representing the National Association of Development Councils.

Mr. **PATTON**. Kenneth Patton from New York City, senior vice president of Helmsley-Spear, a real estate company and representing the Council for Urban Economic Development.

Mr. **HARTMAN**. I am Dick Hartman with the National Association of Regional Councils. I am the executive director.

Senator **STAFFORD**. We are going in the order in which you have been identifying yourselves, and that means, Mr. Page, you will be first.

## STATEMENT OF CHRIS PAGE, EXECUTIVE DIRECTOR, ECONOMIC DEVELOPMENT COUNCIL OF NORTHERN VERMONT, REPRESENTING THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Mr. **PAGE**. Thank you, Mr. Chairman.

I am Chris Page, executive director of the Economic Development Council of Northern Vermont in St. Albans, Vt.

I am here today to testify on behalf of the National Association of Development Organizations, NADO.

I am very pleased to have this opportunity to appear before your committee to discuss the various bills which are before you on the economic development programs. These economic development bills are of great concern to my area and to rural areas across the country.

The National Association of Development Organizations was founded in 1967 by a group of economic development districts to promote development in small communities and rural areas.

Today, our members are multicounty planning and development organizations and other State and local agencies which help local governments and the private sector work together to create and retain jobs.

These organizations currently operate under funding from the Economic Development Administration with average annual grants of $40,000—using these funds to leverage local and State match, distribute very established development staffs ranging from two to three professionals to assist their public and private constituency, a constituency that often spans from 2 to 17 counties.

Without the support and the recognition of the Federal Government, many rural areas would be without this vital resource. They would be robbed of opportunities to stabilize and nurture their general economies.

For thousands of communities, development districts provide the only professional assistance to governments, businesses, and citizens, in the field of economic development. In this time of economic recession, districts are needed more than ever.

By working cooperatively through economic development districts, local governments and the private sector can maintain and create jobs with a minimum of control from Washington and maximum local participation.

The district approach to job creation has developed a partnership between local governments and the private sector which is exactly what this administration is supporting.

For example, in northern Vermont, a broad cross-section of private and public representatives actively participated in the design of a comprehensive economic development strategy for that six-county region.

This strategy clearly defined the problems and the opportunities facing the rural district and set the wheels in motion for stabilizing and improving our economic base.

From that strategy evolved a number of significant development efforts.

I would like to share one of those with you.

To counter declining agriculture employment in one of our counties which was caused by the consolidation of a number of small farms and a financial collapse of others, or the absence of active farmers who had to seek other jobs, a regional Dairyville Park was conceived using public and private resources.

Maximizing its relationship with both the private sector and the public sector, our economic development district was able to formulate a program insuring a positive increase in agriculture-related productivity and employment. EDA funding, and its very important 10 percent district bonus, contributed to the necessary infrastructure improvements needed to support the new park project.

Today, entering its final stages of construction and occupying 50 percent of the park space, is Wider International's newest manufacturing facility, a $30 million complex which, in its startup stage alone, will employ 150 people.

It is estimated that within the second year, another 150 will be employed. That $30 million investment is strictly private money. The small EDA investment, Farmers Home investment that went into that industrial park, leveraged $30 million for a community that previously had virtually no industrial tax base.

It will utilize the existing agricultural skills and agricultural facilities of our region.

I would like to quote for you what a consultant study of EDA district-planning programs said:

"The most important impact that districts have accomplished has been serving as a catalyst to make political and business leaders realize that economic development is a process that they can and must have influence on that process to insure it occurs at levels adequate to meet the quick needs of their area and that the process proceeds more efficiently and frequently when the public and private sector work at it together."

In every district, there were accomplishments that would not have happened without the 301 appropriation. This has been true in Vermont. This is true, I think, in many rural areas across this nation.

Clearly, economic development districts have been an essential part of the institutional infrastructure in much of rural America.

With that infrastructure in place, we are capable of bringing together municipalities, counties, the private sector, to elicit economic development interest in not only projects, but long-range planning, as well.

We are pleased that S. 724 recognizes this impact and offers an intent to continue that.

There are a wide variety of problems facing rural America today. Some areas are growing; others continue to decline. The 1980 census shows the population in rural regions rose by 15.4 percent between 1970 and 1980.

The increase has placed tremendous new burden and pressures on our local governments. Rural areas are beset by a series of problems: They are often more dependent on one or two economic activities than other areas.

They are often more physically and culturally isolated from major markets. Rural areas often lack air and rail facilities to attract and hold businesses. Unemployment figures for rural areas are often misleading, and rural communities often lack the ability to build public facilities to attract the business or to hold their own.

In many rural areas, including Vermont, incidents of poverty are significantly higher as a shortage of health services.

There is a high incidence of substandard housing per capita in rural areas and those areas tend to lag behind in averages.

Finally, rural areas such as northern Vermont are extremely isolated from significant capital markets. That distance from capital markets, many times, has served to eliminate northern Vermont and other rural areas across the country from active consideration for the location of new business or for the expansion of existing facilities to retain jobs.

The First National Bank of Boston has produced for the Department of Commerce a study on capital markets that shows that unmet capital demand is highest in rural areas and that small firms have the most difficulty in obtaining credit; that independent firms are at a disadvantage in capital markets.

Those very firms make up the base of the economic development activity in rural areas.

Without those small, independent firms, there are no jobs in rural America.

The Economic Development Council of Northern Vermont, along with a number of other economic development districts around the country, and its sister council in Vermont, has designed a program to attack some of those capital needs. Under an EDA title IX revolving loan fund grant, our district has established a revolving loan fund for small business and industry.

The expansion of the capital market in our area has had a tremendous impact and has done so in a very rapid period of time.

The six counties that I have served with a population of approximately 105,000, have 12 local banks and branches of five major Statewide banks.

The average assets of those local institutions is $23 million. Their lending limits are $230,000.

They are traditionally conservative. They are concerned about risk capital. Their stockholders don't feel that they are in a position to provide risk capital. To address these, as a financial analyst would call them, imperfections in the capital market, Northern Vermont established its revolving loan fund with an EDA capitalization of $500,000.

The fund was created in mid 1980 to round out the equity portion of a wide range of business loans to supplement local capital.

In the 3 years since its inception, the fund has tried to make progress toward the achievement of four very basic goals: to increase the number and quality of job opportunities in the region; to reduce the incidents of seasonal employment; to develop the means for increasing family incomes and to establish for upgrading labor force skills.

Significant progress has been made in all those areas. That is because the fund is not a substitute for other available financing.

Rather, it is the glue that binds together participants in otherwise difficult financing packages and brings local capital into economic development projects.

It is a leveraging tool that we have found is capable of significantly expanding rural capital markets.

In its two-and-a-half years of operation, the fund, with the assistance of EDA, has invested over $800,000 in local economic development projects.

Those economic development projects have leveraged $5.6 million in private financing, all from local banks; all invested in local firms.

That is nearly $7.00 of private investment for every dollar of Federal money that we transfer.

The total documented job creation currently stands at 327 full-time jobs. Documented job retention totals 330 full-time jobs. Fund investments have been used in start-up operations; they have been used in working capital loans and in fixed asset loans.

Interestingly enough, in Vermont, where jobs traditionally have been—where we traditionally have relied on Federal and State programs for improving job skills, the fund investment in private business has gone to firms 49 percent of which offer in-house skills training programs.

An average wage paid by those firms is $5.34 an hour, 143.6 percent of minimum wage, significantly above what we had seen in the past.

We believe that the Federal Government has a responsibility to encourage, in fact, to foster economic development; to fulfill this responsibility requires more than relatively passive tax breaks which primarily benefit larger, more profitable firms.

Active participation by the Federal Government, both in revolving loan fund programs, in investment in infrastructure, can have a significant job creation impact.

It is well documented that State and local governments are experiencing fiscal restraints. In 1982, Federal grants in aid and corporate profits tax accruals, both declined for the second year running, while sales tax returns increased at a rate half that in recent years.

State and local receipts increased by less than 5 percent, yet expenditures increased by nearly 5.5 percent despite widespread entrenchment by the Federal Government.

The result was the first large sized deficit since 1975, clearly, there is a significant role for the public-private partnership in economic development if we are to compete.

In what is rapidly becoming a world economy, rural areas can simply not afford to be left behind.

We firmly believe that key economic development components are contained in all the bills presented before you today. We believe that this committee has, in its grasp, the collective potential to insure that rural areas will have access to necessary public facilities of development funding.

The bottom line, Mr. Chairman, will be a stable growth oriented economy generating jobs for all Americans, both urban and rural.

Our comments have been submitted in detail on each of these bills, as well as a synopsis of the revolving loan fund activity in Northern Vermont.

I would be happy at any time to answer your questions, either today or in writing.

Thank you, sir.

Senator STAFFORD. Thank you very much, Mr. Page. We appreciate your comments and the detailed statement which will be made a part of the record.

The next witness will be Mr. Patton, but Mr. Patton, before you begin, with regret, I am summoned to a meeting with the majority leader, the Vice President and the other committee chairmen, so, Senator George Mitchell, whose State of Maine shares many of the same problems we have in Vermont, has graciously agreed to chair the meeting for us.

Senator Mitchell is a very valuable member of this committee, and I am happy to turn the gavel over to him.

Mr. Patton, you are on.

## STATEMENT OF D. KENNETH PATTON, SENIOR VICE PRESIDENT, HELMSLEY—SPEAR, INC., REPRESENTING THE NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT

Mr. PATTON. Thank you, sir.

Before you leave, I would like to thank you for having introduced such important legislation. I may have comments about it, but it is encouraging to us who practice, as I do, in the world of business, and having previously been the economic development head of New York City, to see the awareness of the problems of our infrastructure today in the United States.

We, too, have long resented the name calling and the almost libelous attacks that have been leveled at public works, referring to them as pork barrel and the casting aside these most important assets as make-work projects and the like.

We had public works in governments before we had armies, and while we think today about the efficiency of our economy, we have to think about the efficiency of our public systems as much as that of our private systems.

It is encouraging to see this awareness of the disrepair and the sad state which this element of our national economy has been reduced to through years of neglect.

Senator **Mitchell** [presiding]. I was kind of interested in that statement, Mr. Patton. It is the kind of thing that sounds good. "We had public works in government before we had armies."

What is the basis for that statement?

Mr. **Patton**. I believe that when earlier cities and city-states were formed, the governments therein were formed to create the infrastructure—the essential elements being land, roads, sewers, that is, those things necessary for a community to function. That is what government is about.

War and armies were about tribes and chieftains, not about governments in which we sat down and decided what the priorities were and what would be done for the good of people.

I think historically they did precede the existence of military budgets, if you will, the first assessing of peoples' property to do things, to reinvest the wealth of the community into the systems that made the community healthy and productive. It is only once you make those investments that you had something to defend, and this is not some new notion. It is an old cause, and I, over the years, have been here on Capitol Hill and have listened to people dismiss them.

If we increase our national income by 2 percent next year and allow our system's value to depreciate by 2 percent, we have not gotten richer, we have gotten poorer.

I think that this country has never had a strong constituency for infrastructure maintenance and repair. We have certainly had an interest in building anew. But we have left behind a lot of systems in disrepair and even whole cities—that could be renewed and made to have highly efficient systems; this is particularly true of our part of the country and in the Midwest.

Moreover we have allowed the sprawl of economic and residential activity to cut up the countryside. That is a tremendously expensive process. Most of us forget the detailed studies done some 5 or 6 years ago by HUD which show that it is 5 times more expensive to build at the periphery of our developments and suburban areas than it is to reuse the systems we have. We get more out of the investment and in maintaining older centers, in existing places, than we do by neglecting them and driving our economic activity to the fringe. This then leads me to my major point today: The blanket endorsement of infrastructure development, maintenance and repair neglects the private sector efficiency that I mentioned has to walk hand in hand with public efficiency.

We believe very strongly that a significant portion of public works and infrastructure development should be aimed at the creation of private investment in the industrial and business sector. The roads, sewers and waterworks and the various elements that go into our public works agenda should be aimed at industrial parks and commercial centers where economic growth and investment occur.

I was impressed to see the President, who is not known as a fan of the Economic Development Administration, unwittingly endorse its programs when he visited the Digital Equipment Plant in Boston and said, "This is the kind of thing we need more of in this country." It happens that that particular facility was financed by the Economic Development Administration, and the infrastructure on which it was built was publicly financed. I agree with him. That is exactly what we need.

Senator MITCHELL. The digital project itself was an EDA financed project?

Mr. PATTON. Yes, as was another project financed in Baltimore, the rehabilitation of an old industrial facility.

The important thing about those developments, incidentally, is not that Boston won a project that would have perhaps gone to New Hampshire, but it won a project that would have gone to Ireland. There are more digital plants in Ireland, north and south, than there are in Massachusetts. There, such high tech industries receive tax abatements, capital grants, and infrastructure investment; in short, they receive an immensely powerful set of inducements to go there.

We need not compete in kind or in degree, but we have to compete on some basis to enhance our communities' ability to accept economic opportunities. We need affordable capital and land. We need infrastructure. We need an adequately trained, labor force, and we need a decent business climate in which to compete with these other countries.

Our own concept of urban rural, sun belt frost belt competition has to be set aside, because the real question is whether this country's declining efficiency, both public and private, is causing business to go more and more off shore.

So, as we consider the several bills, all of which have important virtues, we believe that their investments and programs should be integrated in such a way that economic development comes to the center as the utmost priority in all of these activities.

To do this, we have some specific comments about the four bills, and I am sure that much will be done to improve and perfect them as they work their way through the legislative process. The important thing is to get something done. We are in a near state of paralysis in terms of our capabilities to act in this area, and I think that this year is crucial to making something happen so that we can get back in the business of public-private partnership to create jobs and expand our economy. Here are some specific comments referring to the bills.

The first comment, on S. 724, is that we cannot accept the notion that there should be two categories of unemployed—those who live in cities over 50,000 population and those who live in cities under 50,000.

Much of the small business that is creating the real vitality and the real employment gains will find its home in larger centers where they can begin. Later, they seem to move elsewhere, but the incubation of these industries stems from important roots in larger centers. Thus, we think that there should be equality. Industry should not be driven from a large place to a small place or vice versa.

Senator MITCHELL. You are opposed to that provision which establishes different criteria for urban and rural areas?

Mr. PATTON. Yes, sir.

We at CUED, incidentally, with our colleages in NADO, have long worked together, endorsing a balanced national program. We object to anyone saying, "This is good for the rural areas, and we should fight it because we are from big cities."

We simply say that we should fashion and fit together a nationwide program that is effective for the country as a whole.

Senator MITCHELL. Do you agree with that, Mr. Page?

Mr. PAGE. Yes.

Senator MITCHELL. You are opposed to the provision that would establish different standards for eligibility in urban and rural areas?

Mr. PAGE. We are concerned that the eligibility criteria needs to be a broader criteria. It needs to include economic distress, as well. We are not convinced that all those levels of economic distress are clearly laid out. I think there needs to be more work there.

Senator MITCHELL. My question was very specific. As I understand it, one of the provisions of the bill imposes a separate and some might describe higher standard for eligibility for cities of 50,000 and over.

Do you favor or oppose that provision?

Mr. PAGE. I think that in this particular instance, we are concerned that rural areas are not going to be able to meet some of the same criteria that urban areas are going to be able to meet. If that means that the criteria has to be separated in some sense, that may have to be. I would like to see some more——

Senator MITCHELL. Do you favor that provision?

Mr. PAGE. I would like some time to work on that. I would not like to say that I favor or don't favor today.

Senator MITCHELL. Would you think about it and write me a letter and tell me what your position is?

Mr. PAGE. Certainly.

Senator MITCHELL. Go ahead, Mr. Patton. You don't seem to be quite as enthusiastic as your partner on that.

Mr. PATTON. I don't know if that is a policy change or what. We have worked very much together in the past, and I hope we will continue to in the future.

The programs, incidentally, don't compete nearly as much as you think, as some people have thought in the past.

In urban areas, if you have some capital based programs—business loans, loan guarantees and the like—they are apt to get the job done very well. Whereas a public works program, much more intensive in a rural area, would clearly be called for to make things happen there. So we dig into different parts of the bills.

Senator MITCHELL. The problem, Mr. Patton, is that these people who live in rural areas tend to think that they have a slightly different and more severe problem, some of which Mr. Page expressed in his remarks: A lack of proximity to markets. By very definition, that is not true of someone within an urban, large city environment; inability, and generally, the lack of capital to make these kinds of projects go, and so I think there is a difference now.

It may be that this bill does not meet that difference in the best possible way, but I don't think even you are suggesting that the problems that confront New York City are the same as the problems that confront a rural community in northern Vermont and eastern Maine. They really aren't.

Mr. PATTON. No, they are quite different, but the necessary assistance programs are similar: for example, in an industrial area—whether in Brooklyn or the Bronx or in the north side of Cleveland or in the east end of Oakland—an industry cannot locate there if there is an inadequate water supply or a lack of a water tower to provide fire protection.

It's a serious problem.

I don't think, incidentally, that we are spending or proposing to spend nearly enough for infrastructure and public works. This money leverages other money. A study recently done by the New York Port Authority shows that the Federal funds have a way of manuevering State and local funds at a two and a half to one ratio into the already depressed parts of the country. Many of our UDAG grants throughout the country have been based upon investments made by EDA. These things start to work together.

With all of that taken together, I believe that we should be spending much more on this in order to make our country what it is supposed to be. I have long felt, that the hardware investments are more important or at least as important as the software investments.

Senator MITCHELL. Could you sum up, Mr. Patton, so we can hear from the other gentleman? Have you testified yet?

Mr. HARTMAN. No, sir.

Senator MITCHELL. You are Mr. Hartman?

Mr. HARTMAN. Yes, sir.

Senator MITCHELL. So we can hear Mr. Hartman, and then we can see if there are any questions, because we have another witness after that.

Mr. PATTON. Just to sum up, the mode in which the infrastructure and other funds are disbursed should be through local efforts, and include the availability of guarantees as well as the existence of direct grants.

The idea of user fees also gives us a great deal of difficulty. As you move into economic development based projects where you are creating industrial centers, we think that the concept of user fees is difficult to implement. We feel that where repair and maintenance is involved, it is even more difficult, especially if that is a precondition to repair and maintenance.

I will submit my detailed comments for the record. I would like to leave on a more positive note. I think that our national consciousness, in terms of competitveness, and our endless discussion of high tech and low tech is a positive factor. Our national consciousness, with respect to infrastructure investment, is even more positive. What we need to do in the next couple of months is to put these two ideas together so that we maximize the economic results of the very much needed investments we are going to make in our public infrastructure.

Senator MITCHELL. Thank you very much, Mr. Patton.

Let me say that all your statements will be placed in the record.

Mr. Hartman, we are pleased to hear from you. I see you have a pretty lengthy statement there. If you would summarize it, we would appreciate it.

## STATEMENT OF RICHARD C. HARTMAN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF REGIONAL COUNCILS

Mr. HARTMAN. Yes, sir. I will be very brief.

There are just a few comments or thoughts that I would like to leave with the committee. First of all, this committee of the Senate has a very historic and distinguished record of creating very significant and long range legislation that deal with transportation and public works and the environment. In fact, much of the constituency which I represent, some say regional organizations throughout the country, whether they are called substate development districts, regional planning commissions, area planning and development commissions, whatever, have been created over the last 20 years through various pieces of legislation authored and developed by this committee.

The whole purpose of the effort, of the legislation that you have developed in transportation, public works and environment was to truly have a Federal system whereby local governments, in partnership with the States and the National Government, made allocation decisions in these very important public works areas.

Even though we may have a change in emphasis in terms of the Federal system, I think there is a growing realization on the part of Congress that we still must keep some kind of national concern about local input and local cooperation and coordination on very important public issues. I think in the legislation that is pending before this committee, the bills that have been offered in terms of a future Federal presence in economic development, something more than a short term jobs bill, you do have features of a piece of legislation that could be in the tradition of this committee of looking down the road and building a very cost effective but needed Federal investment in public works and economic development.

Over the years, you in the House and States have developed a network of some 500 sub-State regional organizations throughout the country, which composes local government elected officials and private sector interests at the regional or sub-State community basis, in both your States you have some type of regional planning commissions or development districts.

These organizations are attempting to plan, coordinate local-city-county-town decisions and make them the most cost effective with the limited resources that are available. More and more, those organizations are trying to develop more effective operational methods in solid waste management, transportation and so forth; they cut across boundry lines and are not tied to city and county legal distinctions.

Within this context, we would make these comments on the legislation before you and offer one or two suggestions: No. 1, there is no question there is a need for a future Federal role in economic development. I think it has proven to be the best investment of

Federal dollars in the past in the growth and development of our country.

Senator MITCHELL. Is there any disagreement of the analysis on that point? None?

Mr. PATTON. None.

Senator MITCHELL. Mr. Page?

Mr. PAGE. No.

Senator MITCHELL. Go ahead.

Mr. HARTMAN. While I think there has been deserved criticisms of some projects, I think that basically, the Public Works and Economic Development Act has been, for the most part, very successful and should be the cornerstone for any future efforts that this committee may offer in legislation. We would support, because our policy committees, which are made up of legally elected officials have not had a chance to divest all of these bills, but they have had a chance to look at S. 871 since it is similar to H.R. 10 over in the House and they would support, we support that legislation.

We think that it takes the best of the existing economic development programs and builds on them.

Senator MITCHELL. Is that my bill, Mr. Hartman?

Mr. HARTMAN. Yes, sir.

Senator MITCHELL. Very penetrating statment.

Mr. HARTMAN. The key to the bill, we feel, is the bottoms up approach, the local development investment strategy, which is in sections 106 and 201 of the bill, and we urge that whatever legislation you come up with, that you keep that priority bottoms up approach which involves the local governments and the State in trying to determine their needs and priorities and the best use of whatever Federal investment you can appropriate.

Senator MITCHELL. Mr. Hartman, can I interject to ask Mr. Patton, do you support S. 871?

Mr. PATTON. Yes, sir, we have supported it in the House, and though there are some things we would like to see changed, we would rather not quibble about it.

Senator MITCHELL. Mr. Page?

Mr. PAGE. We do also, Senator; same position.

Senator MITCHELL. Go ahead, Mr. Hartman.

This is getting better all the time.

Mr. HARTMAN. On S. 724, we think that that bill is much more broad-ranging and far-reaching in its titles, and we think there is not a great deal of problem with title II of S. 724 and S. 871 in terms of their compatability.

In looking at the other legislative proposals to rehabilitate and develop community facilities, we do think that in putting these legislative proposals together, whatever you come up with finally, there are two key questions that continue to create problems on how you work these out. The first question is, how can we achieve a needs indication process that reflects not only national priorities, like depressed areas and so forth, but State and local concerns? And that is why we think the bottoms up process that is proposed in the legislation offers a great deal.

The second question is, how can the Federal Government, with increasingly limited resources, under the present circumstances, encourage State and local governments to work together to identify pressing and real community needs and address those needs so they will benefit not only individual jurisdictions but the total regional community?

We have a growing concern—I think Senator Durenberger had dealt with in much of the new federalism proposals—that we have increasing differences and conflicts between the broader regions of our country, like New England and the Southwest or the West, and between rural, suburban and urban communities, and in some way or another, as we return responsibility or funding responsibility back to the States, the National Government's role to try to work out, reconcile these differences, may be lost.

This kind of basic public works and economic development legislation goes to the heart of those differences. That is why we would feel—and we may differ here with Mr. Patton—that the rural areas do have unique problems—however you identify rural areas, because that is another problem—and that you may either have to assure a certain level of funding to rural areas so that it is not all grabbed up by the more sophisticated, larger jurisdictions that have staff and capability, or some differences in criteria that do relate to the unique circumstances of the smaller rural communities.

Senator MITCHELL. Mr. Hartman, excuse me.

Mr. Patton, would you object to a proposal along the lines of the formal suggestion by Mr. Hartman that you have a single criteria but that you have a set-aside for rural areas?

Mr. PATTON. I think you now have got different criteria, different emphasis, and different funding totals; we have lived with that for years. It has been very effective.

Senator MITCHELL. I thought you said earlier you were opposed to a different eligibility standard.

Mr. PATTON. I am opposed to a different eligibility standard. I started here in 1968 when you couldn't even get EDA into a city, and now such projects are common in urban centers. But I am not arguing that the programs have to be the same or the budgeting has to be the same for everything.

I think we should have a similar standard of eligibility. You should retain very much of what we have now, perhaps making it a little more targeted, but if the Senate and the House wish to have a program that aims at the particular needs of the rural areas, simply place codiciles within it; we would certainly think that that would be appropriate.

Likewise, if there are certain unique features of urban centers, we would think that they should be similarly incorporated.

Senator MITCHELL. Thank you, Mr. Patton.

Why don't you wrap up? Senator Abdnor may have some questions he wishes to ask. I would like to defer to him, too.

Mr. HARTMAN. Two other points on S. 23: I think we would support Senator Moynihan's for the idea of some kind of national capital budgeting process. We are doing that now, thanks to this committee, in the transportation field where we do have a needs process and an allocation process which involves State and local government through contractual agreements for metropolitan areas, and we have tried hard to get that for rural areas, also.

But we do have a capability, believe it or not, and all the money that has been spent, that we have the data and information available now that within a year's time, we could have an identification of all the community facility needs in this country available, and Congress would have a much better read out on those needs.

We also advocate ability at the local level through a bottoms-up process of beginning to prioritize what projects are most curable or getting local governments and States to, back and forth, in a long term, stable funding situation, even though that funding might be relatively low, they could prioritize which projects were most important, not only to their local governments, but to their regional communities.

So we would have a lot of interest in something like S. 23.

Finally, in summary, we think there is a needed continued Federal commitment to assisting the funding of community facility needs at the State and local level. We recognize Federal priorities must address areas of economic need but that there must be some type of bottoms-up process and assurance that local officials and private sector interest is, as well as the States, are able to participate and identify needs, but more importantly, allocating the resources, the prioritizing of what is needed most first. We think that there needs to be in this country a comprehensive inventory of facility needs.

We think that is very easy and could be achieved and we have the capability and the information available right now at the substate regional level. We would hope that you would use existing groups of regional councils which you have fostered over the years in other legislations. We are prepared to help with language or other suggestions as you proceed in drafting the final piece of legislation for the full Senate.

Senator MITCHELL. Thank you very much, Mr. Hartman.

Senator Abdnor?

Senator ABDNOR. I think this is very interesting, the colloquy, the dialog here about the difference between urban and rural. I come from one of the more rural areas of the country.

In the late hour, I do not have any questions.

Senator MITCHELL. Thank you. Thank you gentlemen all, very much. I appreciate your presence here today. I am sure the other members of the committee will be carefully reviewing your testimony.

Thank you very much.

Mr. HARTMAN. Thank you.

Senator MITCHELL. We have one other witness, Mr. Brent Blackwelder from the Environmental Policy Center.

## STATEMENT OF BRENT BLACKWELDER, ENVIRONMENTAL POLICY CENTER

Mr. BLACKWELDER. My name is Brent Blackwelder, I serve as chairman of the board of directors of the American Rivers Conservation Council and the League of Conservation Voters. I appear here today as the Washington representative for the Environmental Policy Center.

Harriet Parcells, who prepared a large amount of this testimony regrets she could not be here as a result of a death in her family.

I will just summarize some of my statement to you. The Nation is awakening to the sobering fact that its bridges, local roads, transit systems, water and sewer facilities, and other similar structures are in a serious state of disrepair. Maintenance and rehabilitation of these facilities have been shortchanged over the past decade. Tight State and local government budgets have forced funding choices and maintenance and repair have lost out to other pressing needs. Federal grant programs have favored construction of new facilities over repair of existing facilities.

We commend the committee for holding hearings on this important subject.

And we would like to add our voice of concern to those of that of earlier witnesses which stress the need to emphasize repair. We would urge that the various bills that are being considered strike out the words "new construction" and focus the ultimate program on repair and rehabilitation. The reason for that is that in most of these areas, we do have on-going Federal programs for new construction.

The real need is for the repair and rehabilitation and possible enlargement on already existing sites.

We would also like to see a provision in S. 724 strengthening application of environmental laws. We would urge the enumeration of additional laws such as historic preservation laws, the Coastal Zone Management Act, and all provisions of the Clean Water Act, in addition to those enumerated in that legislation.

We would also urge that S. 724 and the other bills contain a prohibition on the use of funds for building new dam projects or stream channelization. We have ongoing programs for that. We have a large number of these already constructed. The need, we feel, should be rather focused on rehabilitating of existing facilities.

We would support an inclusion in these bills of legislation focusing attention on efficiency improvements, emphasizing the great savings to the consumer of becoming more efficient in the use of resources. This is particularly true as to water supply and distribution systems.

I have recently completed a report, a survey of water conservation programs in the 50 States, and preparation of a model water conservation program for the Nation and would like to submit that for the committee's files. The findings that we discovered in analyzing the programs in all of the 50 States are that some very innovative efforts are being undertaken in certain areas. However, much remains to be done. For example, I will show you, just as you can see here, the chart on the 50 States being evaluated on 13 categories of water efficiency.

Senator MITCHELL. Do we have copies of that, Mr. Blackwelder?

Mr. BLACKWELDER. Could I submit these two copies for you?

Senator MITCHELL. Yes. Could we get one for Senator Abdnor and one for myself so we can see what you are pointing at?

Mr. BLACKWELDER. The point I am making is, as you can see from the amount of dark spots there, we do have some programs underway, but the fact that the whole chart has many blank spaces means there is a lot to be done. This is true not only in the Northeast and Midwest but also true in such areas as the Rocky Mountain States.

I cite, for example, the testimony of the deputy director from the California Department of Water Resources when he said that 32 cities in the Rocky Mountain States have 42 percent of their water unaccounted for, an incredibly large amount.

Senator **Mitchell**. What does that mean, water accounted for?

Mr. **Blackwelder**. It means that either you have leaks or unmetered public buildings or water is somehow escaping for which the water utility, the local water authority, has no idea where it is going; it is not accounted for on any particular billing.

Dr. Meral, who offered this testimony, said California was doing much better: 9.5 percent of its water is unaccounted for, but he said in his statement, that we are really behind some cities in Europe. German cities of Dusseldorf, Berlin, and Frankfort report 3 to 7 percent rates of unaccounted for water.

So we submit, that as the committee is focusing on rehabilitation and repair, specific attention be given on ways to increase the efficiency of already developed water systems. Repairing leaky systems is one important way of doing that. This has significant advantages for the consumer, because you do not have to pay for premature enlargement of your water supply system. You do not have to pay for a large amount of water treatment. You also save on the size of your sewage treatment plant, because less water is going through the system. So there are many advantages to becoming efficient, and we suggest that emphasis could be given to that.

We would support a requirement in this legislation in regard to maintaining facilities which are rehabilitated with funds provided. We would not like to see a situation occuring another two decades from now where we provided a grant to rehabilitate a facility, only to have that fall into disrepair. Perhaps we could have appropriate rate schedules and other provisions provided in this legislation so that these facilities would not, once again, fall into the disrepair which they are now in.

We would also support, in S. 724, a provision to keep harbor and port dredging matters separate, because this is tied up in the question over waterway user fees. This would not apply to various other investments in onshore harbor facilities, but we think that the issue of whether this money should be used for harbor and port dredging should not be part of the infrastructure bills themselves.

We strongly support titles IV and V of S. 724, concerning historic preservation and employment of youth. We suggest one proviso in regard to the youth employment; namely, that the sections referring to eligible projects including flood control either be stricken or that some provisos restricting money from being used from stream channelization be added.

In the House, we worked very closely with Congressman Edgar on an alternative public works jobs bill, which would stress that we can create jobs with environmentally beneficial programs. We do not always have to be saying that, "Well, let's have this jobs program and try to limit the environmental damage done by it." We can have a variety of programs in both urban and rural areas that will create jobs and benefit the environment. We have submitted a copy of the summary of that bill to the committee. We would hope that you could look at the provisions of that alternative.

Turning now just briefly to Senator Moynihan's bill, S. 23, we support the idea of an inventory, and we suggest one addition to that: that the inventory look at success stories of areas which have successfully maintained their facilities and report as to what the reasons for that happen to be. This could be of great advantage in helping to prevent deterioration elsewhere, if you know why some areas are doing a very good job. Some of the remarks that we have made about strengthening provisions to S. 724 also apply to S. 532 concerning infrastructure banks, as your bill does, Senator Mitchell, S. 781.

That concludes my summary.

Senator MITCHELL. Thank you very much, Mr. Blackwelder. The full text of your statement will be included in the record.

Senator Abdnor, do you have any questions?

Senator ABDNOR. A thought was just going through my mind while you were talking about the funds that would be made available should be used at the local level through initially funding projects. Would you follow that same philosophy with regard to parks; this idea for putting out more and more money for parks and buying the land and enjoying the facilities? How about parks?

Would you agree that maybe that is a thought that should be applied in the area of land purchase; rehabilitating our present facilities of parks instead of continuing to buy additional land?

Mr. BLACKWELDER. We support, in Congressman Edgar's bill, H.R. 1727, an extensive program for parkland rehabilitation and eliminating the backlog of projects needed to upgrade facilities at our national parks. So we do support that.

However, we also strongly support the acquisition of new parklands authorized by the Congress.

Senator ABDNOR. What do we do if you do not have money? We do not have them both, so what do you recommend?

That is off the subject of the jobs bill, but I think I could give you the same argument. You say, "This money ought to go for water." I think I can give you plenty of reasons why some of the money ought to be put into reasons why people should not be flooded out. I think the lives of people are worth a lot. How long has it been where some city has had the contingency to foresee pipelines? With your surveys that you have obviously made in this area, are there any cities in the country who are maintaining waterlines and the upkeep of them in better shape than others because of the fact they allowed for contingency reserve for this sort of thing, kind of like a user fee? Some people pay for water over the years instead of making it as cheap as they possibly can. How do you differentiate between a city that maybe did do something of that versus those that do not? Do we treat them all alike when we get ready to work on legislation like this?

Mr. BLACKWELDER. The purpose for the inventory provided for in S. 23 would be, if your suggested provision were added, to point out those areas that may have avoided the maintenance problem by adopting a forward looking rate schedule. I cite as one example the Washington Suburban Sanitary Commission, which governs Montgomery and Prince George's Counties. I can also point out that the city of Boston has recently taken some very strong steps on its own to eliminate a large quantity of unaccounted water; to check likely metering systems.

The city of Philadelphia decided to focus in on one aspect of unaccounted-for water, namely, illegal hydrant use. Certain industrial users were just pulling up to city hydrants and filling up their trucks. They reduced illegal use from 50 million gallons a day to 10 million gallons a day. Our study shows success stories where communities have started to become efficient and have started to upgrade their systems on a schedule. This would be very useful to know in suggesting some sort of nationwide funding program.

Senator **ABDNOR**. Thank you.

Senator **MITCHELL**. Thank you, Senator Abdnor, and thank you very much, Mr. Blackwelder, for your statement.

That concludes this hearing. This hearing will be resumed on next Monday at 10 a.m.

[Whereupon, at 12:15 p.m., the committee was recessed to reconvene at 10 a.m. on Monday, Apr. 18, 1983.]

[Statements submitted for the record follow:]

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*Executive Director*
Alan Beals

May 16, 1983

The Honorable Robert T. Stafford
United States Senate
Chairman
Committee on Environment and Public Works
410 Senate Dirksen Building
Washington, D.C. 20510

Dear Senator Stafford:

This is in reply to your letter of April 12 requesting my views on several questions submitted after my testimony before your Committee.

(1) If S.724 were to become law, how would you recommend that the money be spent in New York City?

New York City has adopted a 10-year capital improvements plan governing the allocation of our resources to infrastructure repair and replacement. Enclosed is a copy of that plan for your information.

As you know, the National League of Cities recently released the findings of an infrastructure survey carried out with the U. S. Conference of Mayors. The highest priority projects of the more than 800 cities surveyed are local roads and streets, sidewalks and curbs, and storm water collection and drainage facilities. Enclosed is a copy of the survey results.

(2) What is your view of the need and value of an assured funding mechanism--possibly through a form of dedicated revenues--for programs such as Title I of S.724 (the state infrastructure bank proposal)?

***Past Presidents:*** **Tom Bradley,** Mayor, Los Angeles, California • **William H. Hudnut, III,** Mayor, Indianapolis, Indiana • **Henry W. Maier,** Mayor, Milwaukee, Wisconsin • **Tom Moody,** Mayor, Columbus, Ohio • **Jessie M. Rattley,** Councilwoman, Newport News, Virginia • **John P. Rousakis,** Mayor, Savannah, Georgia • ***Directors:*** **John B. Andrews,** Executive Director, New Hampshire Municipal Association • **Richard Arrington, Jr.,** Mayor, Birmingham, Alabama • **Marion S. Barry, Jr.,** Mayor, Washington, D.C. • **Carol Bellamy,** Council President, New York, New York • **Richard S. Caliguiri,** Mayor, Pittsburgh, Pennsylvania • **David Cunningham,** Council Member, Los Angeles, California • **John P. Franklin,** Vice Mayor, Chattanooga, Tennessee • **William F. Fulginiti,** Executive Director, New Mexico Municipal League • **Karen M. Graves,** Commissioner, Salina, Kansas • **Edwin L. Griffin, Jr.,** Executive Director, Kentucky Municipal League • **Jonathan B. Howes,** Council Member, Chapel Hill, North Carolina • **Charles Hoyt,** Alderman, Minneapolis, Minnesota • **Robert M. Isaac,** Mayor, Colorado Springs, Colorado • **George M. Israel, III,** Mayor, Macon, Georgia • **Luther Jones,** Mayor, Corpus Christi, Texas • **Myra Jones,** Vice Mayor, Little Rock, Arkansas • **Peter C. Knudson,** Mayor, Brigham City, Utah • **Ted Lehne,** Council Member, Fairbanks, Alaska • **Christopher G. Lockwood,** Executive Director, Maine Municipal Association • **Bob Martinez,** Mayor, Tampa, Florida • **E. A. Mosher,** Executive Director, League of Kansas Municipalities • **Jack Nelson,** Mayor, Beaverton, Oregon • **C. David Nuessen,** Mayor, Quincy, Illinois • **Kevin O'Connor,** Alderman, Milwaukee, Wisconsin • **Martin L. Peterson,** Executive Director, Association of Idaho Cities • **Michael J. Quinn,** Executive Director, Indiana Association of Cities and Towns • **Elaine Szymoniak,** Council Member, Des Moines, Iowa • **Joseph W. Walsh,** Mayor, Warwick, Rhode Island • **Iola M. Williams,** Vice Mayor, San Jose, California • **Thomas D. Wingard,** Mayor, Greenwood, South Carolina

Obviously, an assured funding mechanism would be of great value, providing states and localities with multi-year certainty of funding availability, which would help them to plan their infrastructure activities more efficiently. Dedicated revenues would help immensely, if a consensus could be reached on which revenues are to be dedicated. It should be noted, however, that dedicated revenues are not essential to provide assured funding. A simple multi-year appropriation of funds, for 3 or 5 years, for example, would provide adequate assurance of funding to promote more efficient planning and priority-setting at the state and local levels.

(3) To what degree should the state programs under Title I become self-sustaining?

Over time, such programs may be become self-sustaining; however, much depends on the level of federal and state support in the early years of the program and the kinds of assistance state infrastructure banks provide to their local governments. If state banks provide primarily low or no-interest loans for infrastructure projects, it will clearly take many years before the banks can run self-sustaining programs. Federal and state contributions to banks must be adequate for several years to permit repayments of loans to be built up to reasonable levels.

(4) Are the provisions in Title I concerning women and minorities adequate?

The provision in section 103(a)(1)(f) of S.724--requiring establishment of training programs designed to assure availability of work funded under Title I to women and persons of ethnic or racial groups considered economically disadvantaged--are desirable. It could be made stronger, however, by incorporating or referencing other federal laws prohibiting discrimination in employment and training. New York City has a comprehensive non-discrimination law, Executive Order 50, which is enclosed for your information.

(5) I am told that 86 percent of the school districts in this nation are independent, not a part of a city or county government. Do you believe that school districts should have direct access to state infrastructure grants?

Generally, independent school districts generally have greater access to capital funding than is available to finance other types of infrastructure. Schools are only one part of a community's overall infrastructure. Priorities among projects should be set by general purpose local governments. In New York City, the city performs capital budgeting for our 32 school districts.

(6) What specific items would you include in an authorized infrastructure program--water supply, jails, hospitals, culture, recreation?

As stated in my testimony before the Committee, I believe it is very important that Congress play a role in setting priorities for infrastructure investments. If too wide a range of eligible activities is permitted, key facilities needs may not be addressed within a reasonable time span. However, local governments must be allowed to determine priorities among eligible projects. In my view, eligible activities should emphasize projects that have a direct connection with the economic growth of communities.

Sincerely,

Carol Bellamy

Carol Bellamy
Council President
New York City

Enclosures(3)

The City of New York

Executive Budget
Fiscal Year 1984

Edward I. Koch, Mayor

Office of Management and Budget
Alair A. Townsend, Director

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# Message of the Mayor

## CAPITAL BUDGET

### Overview

The 1984 capital budget includes new appropriations totalling $1.31 billion, of which $1.14 billion are to be funded by City sources. These appropriations, together with available balances from prior years, provide for a 1984 gross capital commitment program totalling $1.84 billion; of which $1.30 billion will be City-funded.

Consistent with the established goals of the capital plan, the capital program for 1984 provides funding for significant infrastructure improvements, including the continuation at an accelerated pace of a major program of bridge reconstruction for waterway and highway bridges, advancement of the next contract on stage I of the third City water tunnel, and highway and sewer improvements throughout the City. Other major items which are part of the 1984 program include $65 million in City funding for the Transit Authority's car overhaul, reconstruction and enhancement program (CORE), advancement of construction for a new lower Manhattan detention facility together with new dormitories to provide replacement space on Rikers Island, major improvements in the City's waste disposal system, and the continuation of substantial investments for water pollution control plant construction and upgradings, pursuant to federal mandates.

The table on the following page shows the City's commitment plan and funding sources for 1984 as well as the actual levels for 1979-1982 and the estimated commitment levels that will be achieved in 1983. As this table shows, the City has expanded substantially the magnitude of its capital program since 1979. City-funded capital commitments increased from $344 million in 1979 to approximately $1.2 billion in 1982—a 340 percent increase. The program continues approximately at this level in 1983 and 1984, consistent with the City's access to sources of capital financing.

## Capital Commitments and Funding Sources
## 1979-1984
(in millions)

| | 1979 | 1980 | 1981 | 1982 | 1983* | 1984* |
|---|---|---|---|---|---|---|
| **Commitments** | | | | | | |
| *Mass Transit* | $307 | $ 232 | $ 436 | $ 523 | $ 202 | $ 117 |
| *Other Infrastructure* | | | | | | |
| • Streets, Highways and Bridges | 49 | 178 | 88 | 180 | 172 | 276 |
| • Sewers and Water Mains | 58 | 217 | 141 | 177 | 102 | 101 |
| • Water Supply | 49 | 79 | 111 | 85 | 100 | 101 |
| • Water Pollution Control | 34 | 61 | 95 | 75 | 371 | 457 |
| Subtotal | 190 | 535 | 435 | 517 | 745 | 935 |
| *Economic and Port Development* | 7 | 18 | 40 | 32 | 74 | 51 |
| *Education* | 63 | 142 | 105 | 124 | 132 | 126 |
| *City Operations and Facilities* | | | | | | |
| • Sanitation | 40 | 55 | 43 | 94 | 103 | 147 |
| • Correction | 1 | 10 | 29 | 17 | 28 | 67 |
| • Parks | 10 | 29 | 55 | 80 | 68 | 54 |
| • Public Buildings | 15 | 30 | 30 | 40 | 69 | 96 |
| • Hospitals | 14 | 17 | 37 | 84 | 58 | 57 |
| • Other | 32 | 90 | 63 | 154 | 190 | 192 |
| Subtotal | 112 | 231 | 257 | 469 | 516 | 613 |
| Total | $679 | $1,158 | $1,273 | $1,665 | $1,669 | $1,842 |
| **Funding Sources** | | | | | | |
| *City* | | | | | | |
| • Guarantees | $344 | $ 406 | $ 300 | $ 600 | $ — | $ — |
| • City Public Issues | — | — | 75 | 250 | 300 | 425 |
| • City General Fund Transfers | — | — | — | 147 | — | — |
| • Water and Sewer Financing | — | — | — | — | — | 150 |
| • MAC | — | 481 | 438 | 196 | 859 | 727 |
| Subtotal City | 344 | 887 | 813 | 1,193 | 1,159 | 1,302 |
| *Non-City* | | | | | | |
| Federal | | | | | | |
| • Mass Transit | 208 | 158 | 281 | 279 | 70 | 9 |
| • Transportation | 17 | 4 | 2 | 48 | 37 | 118 |
| • Water Pollution Control | 25 | 46 | 70 | 38 | 273 | 312 |
| • Other | 34 | 22 | 24 | 28 | 58 | 10 |
| | 284 | 230 | 377 | 393 | 438 | 449 |
| State | | | | | | |
| • Mass Transit | 37 | 28 | 53 | 56 | 9 | 2 |
| • Transportation | 5 | 2 | 10 | 6 | 8 | 27 |
| • Water Pollution Control | 5 | 8 | 12 | 7 | 39 | 53 |
| • Other | 4 | 3 | 8 | 10 | 16 | 9 |
| | 51 | 41 | 83 | 79 | 72 | 91 |
| Subtotal Non-City | 335 | 271 | 460 | 472 | 510 | 540 |
| Total | $679 | $1,158 | $1,273 | $1,665 | $1,669 | $1,842 |

*Estimate

## Capital Budget and Long-Term Planning

As part of the development of the 1982 capital budget and four-year plan, the Office of Management and Budget undertook an analysis of the City's capital needs over the next ten years. This planning effort, which drew substantially from various independent studies of the City's capital program, identified a total ten-year need of $30.2 billion, of which $16.0 billion was expected to be financed with City funds. In planning the 1983 capital budget, OMB expanded its ten-year needs assessment process by involving City agencies more directly in identifying their long-term capital needs and priorities and also by developing a set of criteria which could be applied to categorize the various projects which compete for the City's limited capital resources. This reassessment of the City's capital needs and financing ability over the ten-year period 1983-1992 identified a ten-year program totalling $34.7 billion, of which $17.5 billion would be provided from City financing resources. This program provides for the following:

*Mandates*—inclusion of all projects required to meet existing Federal and court mandates, including completion of the North River and Red Hook water pollution control plants, improvement and expansion of correctional facilities to meet minimum standards and house a higher projected population, and social service programs to provide shelter for the indigent.

*Infrastructure*—consistent with the City's stated policy objectives for its capital programs, primary emphasis was placed on investments in key elements of the City's infrastructure including:

- *bridges*—reconstruction of the four East River bridges; major reconstruction of 42 bridges rated in poor condition, and rehabilitation of 230 bridges which have been evaluated as being in fair condition.
- *water supply*—completion of stage I and initiation of stage II of the third City water tunnel and reconstruction of mechanical and structural work at the three upstate watershed systems.
- *water mains*—annual replacement of approximately 23 miles of water distribution mains and 5 miles of the trunk main system, completion of the Jerome Park water treatment demonstration plant and initiation of other major work to upgrade the quality of water from the Croton System.
- *sewers*—annual replacement or rehabilitation of 17 miles of damaged or collapsed sewers and construction of 11 miles of new sewers each year.
- *streets and highways*—a program of highway reconstruction which will grow from a rate of 55 miles per year to an annual level of 109 miles at the end of 15 years. Streets will be resurfaced twice between reconstruction.
- *transit*—annual replacement of all subway cars more than 30 years old and all buses more than 12 years old; rehabilitation or replacement of main line subway track, tunnel lighting, ventilation systems and signals; rehabilitation and upgrading of shops, barns and yards to improve productivity. (Mass transit capital costs are now substantially funded outside the City's capital budget and financed by bonds supported from Transit Authority revenue.)

*City Operations*—emphasis was also placed on capital expenditures to benefit critical elements of City operations including:

- *equipment*—establishment of appropriate regular replacement cycles for sanitation vehicles, fire apparatus, heavy duty equipment used by other City agencies and purchase of labor-saving equipment to reduce operating costs.
- *waste disposal*—upgrading of operations at the Fresh Kills landfill; reconstruction of marine transfer stations; expansion of the current barge fleet and continuous replacement of all barges more than 30 years old; replacement or rehabilitation of air pollution control equipment at the City's three incinerators as well as development of resource recovery facilities.

*Economic and Port Development*—creation of a foreign trade zone adjacent to the Howland Hook container port and improvement of the South Brooklyn Marine Terminal; investments to permit recreational and commercial development of such areas as Sheepshead Bay and the Brooklyn and Queens East River waterfronts; continuing development of the College Point and Staten Island corporate parks and the Harborside Industrial Center, as well as restaurant and residential development on the Hudson and East Rivers.

*City Structures*—because infrastructure and economic development investments are so important to the City's vitality, the investments anticipated over the next ten years for City facilities are less than optimal and have been constrained due to financial limitations. However, the ten-year plan would provide for improvements which include:

- *public buildings* -- basic rehabilitation to prevent further structural and systems deterioration of buildings less than 50 years old together with renovation and systems upgrading of those buildings older than 50 years.
- *schools* -- replacement of one elementary and one high school built before 1920; major modernization of thirteen elementary, six junior high, one vocational and four high schools not previously modernized; and general rehabilitation at other schools with an estimated 180 rehabilitation projects to be undertaken each year.
- *hospitals* -- major reconstruction of Kings County, Bronx Municipal, Elmhurst and Coney Island Hospitals, construction of a new psychiatric and prison unit at Bellevue Hospital, completion of Woodhull Hospital and renovation of out-patient departments at Metropolitan, Harlem and Queens Hospitals, life-cycle replacement for equipment as well as procurement of new equipment due to technology changes.

The table below shows the planned investment over the ten-year period.

**Ten-Year Capital Needs Assessment**
**1983-1992**

**($ in millions)**

| | City | Non-City | Total |
|---|---|---|---|
| *Mass Transit* | $ 1,479 | $12,651 | $14,130 |
| *Other Infrastructure* | | | |
| • Streets, Highways and Bridges | 4,610 | 867 | 5,477 |
| • Sewers and Water Mains | 2,424 | — | 2,424 |
| • Water Supply | 724 | — | 724 |
| • Water Pollution Control | 645 | 2,499 | 3,144 |
| | 8,403 | 3,366 | 11,769 |
| *Economic and Port Development* | 522 | — | 522 |
| *Education* | 1,424 | 93 | 1,517 |
| *City Operations and Facilities* | | | |
| • Sanitation | 1,486 | 600 | 2,086 |
| • Correction | 263 | — | 263 |
| • Parks | 717 | 27 | 744 |
| • Public Buildings | 651 | — | 651 |
| • Hospitals | 906 | 166 | 1,072 |
| • Other | 1,616 | 352 | 1,968 |
| | 5,639 | 1,145 | 6,784 |
| Citywide Total | $17,467 | $17,255 | $34,722 |

To advance a program to meet these needs, the City will be required to provide funding of approximately $17.5 billion over the ten-year period. Such financing is expected to be available from a combination of sources including public issuances of City and MAC Bonds, water and sewer revenue bonds, MAC escrow funds, restricted cash, and City Expense Budget surpluses which may be made available to finance capital expenditures. The basic assumption of the financing program is that the City will be able to issue $1.1 billion in general obligation bonds in fiscal year 1986, increasing thereafter by approximately ten percent each year. The City also anticipates being able to issue water and sewer revenue bonds at a level of $150 million late in 1984 and at an annual level of $300 million in 1985, increasing thereafter at an annual rate of approximately five percent. This will provide an additional $3.2 billion over the ten-year period needed to finance this critical element of the City's infrastructure.

The following table summarizes the anticipated funding for this ten-year program.

**Anticipated Funding of Ten-Year Capital Program: 1983-1992**

| | ($ in millions) |
|---|---|
| **City Sources** | |
| City General Obligation Bonds | $12,050 |
| Water and Sewer Revenue Bonds | 3,210 |
| MAC Financings | 850 |
| MAC Escrow Fund Bonds | 815 |
| Other* | 542 |
| Subtotal City Sources | $17,467 |
| **Non-City Sources** | |
| Transit | |
| *Federal* | 4,913 |
| *State* | 531 |
| *Other* | 7,207 |
| Water Pollution Control | |
| *Federal* | 2,123 |
| *State* | 376 |
| Other Projects | |
| *Federal* | 920 |
| *State* | 489 |
| *Private* | 696 |
| Subtotal Non-City Sources | $17,255 |
| Total Funding | $34,722 |

* Includes any expense budget surpluses appropriated to capital and restricted cash balances.

The major components of non-City financed projects included in this ten-year plan are for mass transit, water pollution control and streets, highways and bridges. Transit funding has been developed in a manner consistent with the MTA five-year capital program. This program, as it is currently approved, anticipates the following sources of funds:

**MTA Five-Year Capital Program**

| | ($ in millions) |
|---|---|
| **Funding Sources** | |
| Federal | $1,933 |
| State | 107 |
| City | 587 |
| Port Authority | 88 |
| TBTA Bonds | 537 |
| Service Contract Bonds and Direct Payments | 365 |
| TA Revenue Bonds | 1,538 |
| Lessor Equity (Sale/Leaseback) | 393 |
| Other | 90 |
| Total | $5,638 |

In addition, recently enacted Federal legislation provides supplemental Federal funds for transit which may enable an acceleration or an expansion of the five-year program.

Water pollution control expenditures are primarily to meet Federal mandates and are largely funded by Federal and State grants. Highway and bridge funding assumptions include levels of Federal and State grants which traditionally have been received for these purposes.

In the coming months, OMB in conjunction with City agencies and the Department of City Planning will reassess this ten-year plan. The revised ten-year plan which will result from this review will incorporate any appropriate modifications resulting from changes in financing assumptions, objectives which have been accomplished or shifts in program emphasis. Overall, however, it is not anticipated that the revised ten-year plan will vary significantly from the current plan. The City will continue to emphasize rehabilitation and reconstruction as opposed to construction of new facilities and the primary focus of the capital program will continue to be upon investments in the City's infrastructure. Once this revised ten-year plan has been completed, it will serve as the basis for the initial resource allocation for the detailed 1985 capital budget and its associated three-year plan.

### 1984-1987 Commitment Plan

The ten-year capital plan provided the framework for the 1984 capital budget and its companion three-year plan. By constraining the capital program to resources that will be available to finance improvements, this plan attempts to balance competing capital needs within the City's financing limits. The ten-year plan sets the strategic context for establishing investment priorities. The actual budget and its detailed, project specific four-year program identifies the individual projects which are being advanced to achieve those priorities.

The table below shows the capital commitment plan—both for City funds and funds from all sources—for the period 1984-1987.

The highlights of this plan are discussed below.

**1984-1987 Commitment Plan**

| | 1984 | | 1985 | | 1986 | | 1987 | |
|---|---|---|---|---|---|---|---|---|
| | City Funds | All Funds | City Funds | All Funds | City Funds | All Funds | City Funds | All Funds |
| *Mass Transit* | $ 106 | $ 117 | $ 106 | $ 115 | $ 128 | $ 130 | $ 106 | $ 107 |
| *Other Infrastructure* | | | | | | | | |
| • Streets, Highways and Bridges | 142 | 276 | 255 | 371 | 264 | 386 | 282 | 473 |
| • Sewers and Water Mains | 101 | 101 | 147 | 147 | 212 | 212 | 209 | 209 |
| • Water Supply | 101 | 101 | 89 | 89 | 37 | 37 | 38 | 38 |
| • Water Pollution Control | 92 | 457 | 42 | 150 | 42 | 155 | 51 | 175 |
| Subtotal | 436 | 935 | 533 | 757 | 555 | 790 | 580 | 895 |
| *Economic and Port Development* | 51 | 51 | 39 | 39 | 44 | 44 | 48 | 48 |
| *Education* | 125 | 126 | 95 | 96 | 107 | 108 | 127 | 128 |
| *City Operations and Facilities* | | | | | | | | |
| • Sanitation | 142 | 147 | 191 | 324 | 88 | 89 | 61 | 61 |
| • Correction | 67 | 67 | 84 | 84 | 21 | 21 | 9 | 9 |
| • Parks | 51 | 54 | 47 | 52 | 47 | 50 | 52 | 52 |
| • Public Buildings | 96 | 96 | 42 | 42 | 56 | 56 | 44 | 44 |
| • Hospitals | 50 | 57 | 69 | 69 | 111 | 111 | 142 | 142 |
| • Other | 178 | 192 | 115 | 141 | 135 | 186 | 138 | 150 |
| Subtotal | 584 | 613 | 548 | 712 | 458 | 513 | 446 | 458 |
| Total Plan | $1,302 | $1,842 | $1,321 | $1,719 | $1,292 | $1,585 | $1,307 | $1,636 |

*Transit*—the City's contribution to mass transit improvements totals $442 million from 1984 through 1987. The Transit Authority will use these funds along with other funds from the MTA five-year capital plan to finance the following:

- purchase of 1,375 new subway cars and 1,605 new buses.
- systematic overhaul and enhancement of the subway car fleet through a City-funded car reconstruction program.
- rehabilitation of subway and bus maintenance facilities.
- reconstruction of system infrastructure including signals, power substations, and track.
- station improvements.

*Other Infrastructure*—over the four-year period approximately 40 percent of City-funded (50 percent all funds) planned commitments will be for non-transit infrastructure projects. Included in this program are major investments in the North River and Red Hook water pollution control plants which will make these plants operational in accordance with consent decree schedules, major upgrading of the Coney Island and Owls Head water pollution control plants, funds for completion of the major contracts for stage I of the third City water tunnel, initial funding to advance work on stage II of this project and a major program to advance rehabilitation and reconstruction projects on the City's waterway and highway bridges—a program that has been significantly accelerated as a result of the availability of $161 million in additional Federal funding from the Surface Transportation Assistance Act of 1982. The plan also includes significant investments for sewer improvements and a highway program which increases from $105 million in City funds in 1984 to a level of $211 million by 1987.

*Economic and Port Development*—funding has been provided over the four-year plan for industrial project development, including the rehabilitation of industrial space, continued development of the College Point Corporate Park, and improvements within the Staten Island Corporate Park to support a Teleport project. Funds have also been provided for continuing the upgrading of markets and piers and additional waterfront development. Major infrastructure improvements at various corporate parks are expected to create up to 200 acres of development land for sale or lease.

*City Operations and Facilities*

- *sanitation*—over the four-year period 1984-1987 the plan projects $482 million of City-funded capital commitments. This will provide for major improvements in the waste disposal system, as well as garage reconstruction, life-cycle vehicle replacement, and compliance with environmental regulations at landfills and incinerators.
- *correction*—the plan provides for the construction of a new facility in lower Manhattan for 500 inmates together with the new dormitories on Rikers Island to provide replacement space for 800 inmates. Funding has also been provided for 250 new juvenile detention beds and accompanying program space, and for the renovation and upgrading of existing detention facilities to meet mandated standards and extend their useful lifetimes.
- *public buildings*—the four-year plan provides for continuation of the energy conservation program and expansion of the telephone interconnect programs, a major program to install fire safety systems in public buildings and a program to assure building facade safety, as well as on-going rehabilitation and renovation of public buildings throughout the City.
- *hospitals*—over the four-year period, the Health and Hospitals Corporation will complete construction of a prison and mental health unit at Bellevue Hospital, begin a program of major reconstruction at Bronx Municipal, Coney Island, Elmhurst and Kings County Hospitals, and continue programs to eliminate life-safety code violations in all hospitals and to upgrade the Emergency Medical Service's fleet of ambulances.

The 1984 plan also includes $28 million for a special capital construction program which will utilize minority and long-term unemployed workers. The specific projects to be advanced in this program will be identified through discussions with elected officials, and will be detailed in the adopted budget.

## Investments for Productivity Improvements

One of the priorities established for the City's capital program in 1978 was investments to support, improve or reduce the cost of City operations—investments that would improve productivity. In the development of the 1984 capital budget and the 1985-1987 plan, special emphasis has continued to be placed on such projects with the result that the 1984-1987 capital program contains $569 million of such investments, of which $184 million will be initiated during 1983.

These amounts relate to specific investments to reduce operating costs and improve employee productivity, and do not include investments which the City is undertaking to spur economic growth and thereby improve the City's tax base. In general, these productivity investments can be categorized as follows:

- *Energy conservation*—projects which will reduce energy consumption and thereby reduce costs.
- *Labor-saving equipment*—investments in equipment which either reduces manpower needs or increases the level of output per employee.
- *Systems reliability improvements*—investments to increase system reliability, thereby reducing service disruptions and improving service delivery as well as reducing unscheduled overtime.
- *Data processing*—development of system improvements to provide additional services, improve management control and in some instances to reduce manpower requirements.
- *New technology*—implementation of programs which install new technologies to reduce operating costs.
- *Improved design and work station location*—investments to improve working conditions and develop a better work flow or to reduce unproductive working hours, thereby reducing costs and increasing employee productivity.
- *Reduced leasing costs*—investments to develop or reconstruct City-owned space, thereby decreasing the need for rental space and reducing operating costs.

The following table shows the magnitude of investments during 1984 and for the period 1985-1987 for each of these types of productivity projects.

**Productivity Investments**

| | ($ in millions) | |
|---|---|---|
| | 1984 | 1985-1987 |
| Energy Conservation | $ 25.8 | $ 11.6 |
| Labor-Saving Equipment | 10.0 | 6.1 |
| System Reliability Improvements | 94.8 | 291.4 |
| Data Processing | 14.6 | 20.2 |
| New Technology | 12.7 | 15.2 |
| Improved Design and Location | 15.6 | 33.5 |
| Reduced Leasing Costs | 10.3 | 6.8 |
| Total | $183.8 | $384.8 |

The City is also making substantial investments in the industrial and commercial sectors of the economy to create new jobs and enhance its tax base. City contributions to the South Street Seaport project will help make this one of the major tourist and commercial centers on the East Coast. The City will continue development of basic infrastructure at its corporate parks. The funding of the roadway system for the Staten Island Corporate Park will not only spur commercial activities but will also comprise the City's development share of the Teleport, a joint venture high-technology satellite communications center.

Port development will be expanded by the conversion of the Brooklyn Army Terminal facilities to the Harborside Industrial Center and by various containerport enhancements. The City will also continue its plan to repair and renovate its various market facilities.

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# INFRASTRUCTURE AND HISTORIC PRESERVATION

## S. 23, S. 532 and S. 724

A Statement by

DAVID OLAN MEEKER JR., FAIA

on behalf of

THE AMERICAN INSTITUTE OF ARCHITECTS

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

U.S. SENATE

April 12, 1983

Mr. Chairman and Members of the Committee, my name is David Olan Meeker Jr., FAIA, Executive Vice President of The American Institute of Architects, the professional association representing this nation's architects. I am pleased to present the views of the AIA on legislation designed to improve the condition of the nation's infrastructure. These hearings mark an important milestone in the national effort to develop an effective infrastructure improvement program. The authors of the various measures under consideration today deserve great credit for their interest in this critical concern and for their leadership in developing substantive responses. The AIA hopes that the Committee will soon approve legislation that combines the best features of these bills into a workable, effective and comprehensive approach to improving the nation's infrastructure.

I speak today as a registered professional architect and planner. By way of background, I should note that I have been the Executive Vice President of the AIA since 1978, and I also served for three years as the Assistant Secretary for Community Planning and Development of the Department of Housing and Urban Development. Prior to that I held various posts in the City of Indianapolis, including Director of Planning and Vice-Mayor. I have also participated extensively in other national and international efforts to preserve, develop and improve communitites of all kinds and sizes, including their infrastructure. And, I have also worked as a practicing architect.

My testimony is divided into three parts. The first part speaks to the AIA's support for a Congressional response to national infrastructure needs. The second part examines several major issues raised most particularly by S. 532 and S. 724. The third part presents a more detailed discussion of Title IV of S. 724, which provides funds for restoration and historic preservation.

The AIA believes that the repair and revitalization of public works and related infrastructure elements is fundamental to this country's continued economic and social development.

As an architect, I am well aware of the importance of adequate transportation systems, water and sewage treatment systems and other public facilities. These facilities play an important role in new economic development and the revitalization of urban areas, and support the construction of needed commercial, retail and industrial facilities. Frequently, I see the adequacy of infrastructure also playing a significant role in the decisions of developers and building owners in choosing one location over another because of the costs involved in providing these support systems.

These personal observations are supported by extensive Census Bureau surveys conducted for the Economic Development Administration (EDA) in the mid 1970s. These studies examined the importance of public works in the locational and investment decisions of individual firms. For firms, in 254 different product classes, the studies found that the availability of public works was of critical or significant importance to the firms in deciding where to locate. Further, for these firms, the adequacy of the public works was more important than the availability of local tax incentives or industrial revenue bond financing. Yet, in spite of this evidence, states and localities have historically placed more emphasis on attracting business through tax incentives and innovative financing than through the investment of adequate capital in public works systems.

Public works investment is also an important source of employment. It not only produces on-site construction jobs, but it also creates jobs in equipment, material and other related industries. In fact, for every on-site construction job that is created, three additional jobs are created in other sectors of the economy.

Other witnesses have ably described the size of the task before us. However, it must be stressed that hundreds of billions of dollars of new capital will be needed to complete this massive repair and reconstruction. For example, the Associated General Contractors have estimated that the repair of urban water supply and distribution systems will cost about $110 billion, sewage treatment facilities about $120 billion and bridges about $48 billion. The project list is long, and the work is much overdue. While the needs are enormous and the cost of meeting the needs is equally so, we cannot put off the task. We need a significant national commitment now, to make up for years of declining investment. If we delay, the same amount of work will simply cost us more later on. Lost economic growth, lost jobs, and lost revenues to all levels of government will also result from postponing our responsibility to upgrade our infrastructure systems.

There will never be a better time to act than now, when the capacity of the construction industry is so under utilized due to recession. We can commit the resources now, confident that the construction industry can use those resources without rekindling inflation, and with equal confidence that we are helping to build a more healthy, stable economy for the future.

I would now like to discuss the specific legislative proposals which are the subjects of these hearings.

## Development of State Infrastructure Programs

The AIA agrees with the recommendation of both S. 532 and S. 724 for state control over infrastructure improvement. The scope and nature of the projects to be undertaken, we believe, is best addressed through programs devised and administered at the state level. However, the AIA is concerned that neither bill provides for adequate involvement of local governments in the development of state infrastructure improvement programs. Nor is there adequate requirement for state distributions of funds to localities.

States should be required to establish infrastructure improvement plans in consultation with local governments and after reasonable opportunity for public comment. The plans would then be subject to disapproval within a specified time period by the administering federal agency. The states should also be required to certify or demonstrate that such state/local consultations were held and that public comments were considered in the development of the plans.

Furthermore, states should be required to allocate funds to localities according to a state-determined needs-based formula. The Committee should consider providing for state pass-throughs of funds to large cities, for example, with a population of over 50,000 to urban counties, as defined under the Community Development Block Grant program (CDBG), and to closely settled townships.

Establishment and Maintenance of State Infrastructure Revolving Funds

Both S. 532 and S. 724 provide for the establishment of state revolving funds to receive and disburse federal funds, and in turn to disburse any repayments into the funds. Repayments would result from user fees and from the contributions of state and local governments. The AIA supports the concept of revolving funds as a continuing source of funds for necessary infrastructure improvement projects.

However, we are concerned that the terms and conditions for maintaining these revolving funds, as provided in both S. 532 and S. 724, may inhibit the use of the infrastrucuture programs by the communities with the greatest need, and thereby undermine the effectiveness and value of any federal infrastructure assistance.

S. 532 provides for the capitalization of state infrastructure banks, with no requirement for state or local matching funds as a condition of receiving federal contributions. All funds disbursed by the banks must be in the form of loans, repayable at no interest or at below-market interest rates. States must assure the federal government through a formal agreement that their revolving funds will be "established, maintained, and credited with repayments and that the fund balance shall be available in perpetuity for the funding of new projects." The AIA is concerned that a loan program will necessarily discourage participation by communities suffering from severe economic distress. These communities are most likely to have the most serious need for aid in improving their infrastructure systems. Additionally the requirement for perpetual availability of the fund balance is ill-defined and may be construed to mean that the revolving fund must contain the same amount of funds at all times. We believe this would impose an impossible burden on the states.

S. 724 requires states to contribute dollar for dollar non-federal matching funds as a condition of receiving federal funds for Title I infrastructure improvement and for Title II economic stabilization. A 25 percent matching requirement would be imposed for the standby public works program. Under Title I, the states must require paybacks into the revolving funds of user charges "or other payments sufficient to maintain such funds for the forseeable future. . . " Like S. 532, the repayment requirement in S. 724 is vague, and could require states to repay into the fund not only the federal contribution but also the non-federal contribution. Some states would balk at this financial commitment. To the extent states participated in the program, they would seek to secure repayments from localities and, thus, communities best able to handle repayments would emerge as prime candidates for assistance. States would also tilt their infrastructure programs toward projects from which user fees could be collected.

In order to reduce ultimate federal outlays and place some responsibility on states for infrastructure improvements without rendering the program too unattractive, the repayment and matching requirements should be eased. The AIA suggests that the Committee consider establishment of state revolving funds that give states the authority to make grants or loans according to the state-determined criteria, and that require repayment to the funds of no more than the federal contribution. Because of the impact of the economy on state budgets, and the prospect for continued fiscal difficulties among states at least for the immediate future, the dollar for dollar match may be too unrealistic and would thereby discourage state participation.

Public Buildings

S. 724 specifically provides for the eligibility of public buildings, including schools and libraries, in its Title I infrastructure improvement program. S. 532 does not exclude such structures, but certainly does not encourage expenditure of funds for them.

The AIA believes that public buildings constitute an integral part of the national infrastructure system, serving as the centers for the establishment and maintenance of services vital to local economies and social progress. We urge that such structures be explicitly included in any infrastructure improvement program adopted by the Committee.

Program Administration

S. 724 provides that, except for Title IV, its various infrastructure and economic development programs should be administered by the Secretary of the Army, through the Corps of Engineers. S. 532 places responsibility for administering the national infrastructure program in the hands of a nine-member National Infrastructure Council composed of Cabinet members, the Administrator of the Environmental Protection Agency, representatives of the private sector, and representatives of municipal and state government organizations.

The arrangements made for administering this program will determine in large measure the program's ultimate success. Among the principles that we feel should be incorporated into the final legislation are rapid program implementation, close coordination among appropriate federal agencies in devising regulations and rules to govern the program and direct involvement of states, localities and the private sector in the development of those regulations.

In providing for a federal administering body, the AIA favors the infrastructure council concept contained in S. 532. Although the Corps of Engineers has demonstrated strong organizational capabilities, the scope and complexity of the task to be accomplished through a national infrastructure program would be more suitably administered with broader control and participation by federal domestic agencies more clearly attuned to the needs and concerns of states and localities. As a result, the AIA believes that the Committee should consider establishing first a national interagency council, or coordinating body, to be composed of certain Cabinet members and agency administrators, such as the Secretaries of Commerce, Labor, HUD, Transportation, and the EPA Administrator, with perhaps the Secretary of Commerce designated as its chairman because of that Department's extensive role in the nation's economy. The council would develop the rules and regulations to implement the program and would also take responsibility for bringing this program into appropriate alignment with other programs that bear directly on infrastructure improvement. While the Secretary of Commerce would be responsible for receiving applications and for distribution of funds to states, certain other duties could be carried out in conjunction with other departments or agencies in recognition of their special experience.

In implementing the program, the Executive Branch must make a special commitment to rapid implementation. In drawing up necessary rules and regulations, it would be helpful to use other, proven programs, such as the Community Development Block Grant program, as guides. To insure speedy use of funds by states, applications rereceived by the Secretary of Commerce should be considered approved within 30 days of receipt, unless specifically disapproved because of non-compliance with the requirements of S. 724.

The Council should draw upon the experience of other levels of government and of the private sector. To accomplish this purpose, the legislation should establish a national infrastructure advisory commission to participate with the infrastructure council in the development of the program. This advisory panel would be composed of representatives of commercial and industrial interests, organized labor, professional organizations with experience in the design and construction sectors, and state, municipal, and county governments. Because the states will actually administer the program, and because the local governments will in most cases be the ultimate beneficiaries of the program, their participation in the design and implementation of the program is particularly important. The council should receive and consider the views of this advisory panel.

The structure we suggest would place the responsibility for establishing and operating the national infrastructure program in the hands of appropriate federal government officials, where it belongs; provide for coordination among federal departments and agencies with important jurisdiction over infrastructure matters; and offer ample opportunity for other interested parties both public and private to participate in the implementation of the infrastructure program at the national level.

## Administrative Expenses

S. 724 provides for "necessary administrative expenses" within the amount available for the Title I infrastructure assistance program. It provides $25 million for "salaries and administrative expenses" in the Title II economic development program. It also makes no mention of administrative expenses in either the Title III standby program or the Title IV historic properties program. S. 532 specifically prohibits use of its funds for administrative expenses. The AIA believes that at least part of a state's administrative expenses should be provided. A useful guide would be the "small cities" program under the CDBG program, which funds one-half of each state's administrative expenses, up to a maximum amount of two percent of the funds received by the state for its program.

## Infrastructure Inventories

S. 23 provides for a national inventory of infrastructure needs. S. 532 makes no specific provision for an inventory, while S. 724 carries a loose inventory requirement involving federal development and publication of criteria and information on inventory techniques that will be consistent among federal agencies, states, and other levels of government.

The AIA believes that infrasturcture inventories can be important tools in determining funding priorities and schedules. However, in our view, such inventories would be best carried out on the state level as part of a state infrastructure plan, and according to certain general national guidelines and criteria established by the administering federal agency to insure consistency among these state inventories. These guidelines should address such issues as the techniques to be used and the timely completion of the inventories following allocation of funds to the states.

## Allocation Formula

S. 532 specifies that a National Infrastructure Council establish a national allocation formula, subject to Congressional review within a 45-day period during which time both House and Senate can disapprove of the council's proposed formula through adoption of a resolution of disapproval. S. 724 on the other hand specifies that Title I infrastructure improvement funds would be allocated according to a formula giving equal weight to population size and to the relative amount of paved highway mileage. The Title II economic stabilization program predicates receipt of grants on the ability of a locality to meet one of several needs criteria based on relative per-capita income, unemployment, or sudden economic dislocation. Similar needs criteria would apply for the Title III standby jobs/ public works programs.

The AIA believes that the approach in each bill requires improvement. S. 532 effectively removes Congress from any active voice in the development of an allocation formula, first because it allows only a very brief time for Congressional review, and second, because it limits the Congressional review authority to disapproval.

The Title I infrastructure improvement program of S. 724, we believe, does not adequately measure the need for infrastructure improvement in its allocation formula. Nor is there any apparent attempt to account for relative economic need. The factor of "paved highway mileage" is not defined. It is also a questionable measurement of the size of a state's investment or need for repair of its mass transit systems, water and sewer facilities, and public buildings. The use of this factor may actually work to the disadvantage of poorer, more rural states with a desperate need for federal aid to rehabilitate and modernize their infrastructure. Because the need for infrastructure improvement dwarfs even the substantial sums provided in both S. 532 and S. 724, the AIA believes that any funding allocation mechanism should be based on relative needs.

The AIA believes that the Committee should consider requiring the administering agency to establish an allocation formula that includes factors to measure relative population according to the last decennial census or updated population estimate; the relative amount of infrastructure; the relative age of infrastructure; and the degree of economic need or distress.

Through this approach, Congress would provide guidance to the Executive Branch on a funding distribution system, but it would leave to the administering agency the responsibility for working out the necessary technical details for constructing an allocation mechanism.

Now I would like to comment on Title IV of S. 724.

## Title IV Historic Sites

While the Institute finds merit in many of the various legislative components under consideration by the Committee in the three days of hearings, we support in particular Title IV of S. 724, also referred to as the Historic Site Development and Jobs Act of 1983.

Historic resources, especially historic structures, sorely need the type of Congressional commitment found in S. 724. This legislation recognizes the belief long held by the architectural and preservation community that preservation projects not only produce desirable economic benefits, but also enhance the cultural and historical quality of our nation and its built environment.

Eighty percent of all buildings that will exist in the year 2000 are in place today. They represent an enormous energy and economic investment. Adaptive use and the preservation of our historic buildings offer clear opportunities to conserve expensive energy and capital resources. The Advisory Council on Historic Preservation has documented that the rehabilitation of existing buildings is far less energy intensive than new construction. Simply put, preservation-related construction activity makes good energy sense.

Furthermore, significant economic benefits are available through the preservation jobs program. I would like to call the Committee's attention to the Advisory Council on Historic Preservation's report which documented that rehabilitation was from one-fourth to one-third cheaper than new construction. It was estimated that renovation may cost from $15 to $40 per square foot, depending on the utilization of previous space and materials, as compared to $80 per square foot for new construction.

Historic preservation has played a significant role in the revitalization of our urban centers and central business districts. Historically, most rehabilitation projects have been located in our inner cities, preserving the architectural, historic and cultural heritage of these areas while stimulating real estate values and general economic growth. Each dollar provided by preservation-related projects frequently generates far more in urban economic investment in the surrounding area while increasing the local tax revenue base. However, without the funding available through S. 724, a significant amount of the potential urban preservation and revitalization will not occur.

As you are aware, historic preservation programs have clearly received the endorsement of our citizens and the business/development community as well. Restoration of historic resources with federal assistance has had and continues to have a tremendous impact on tourism, thus acting as a major factor in strengthening local economies. Tourists contribute to local economies through expenditures for lodging, shopping and local products. Again, preservation makes economic sense.

The legislation has also wisely recognized the potential employment benefits of preservation. Restoration and rehabilitation are labor intensive, providing training and enhancing the skills of workers. Government studies have reported that preservation creates 30 percent more jobs than new construction and involves a wider variety of skills than most other types of construction. In addition, workers on preservation projects are not subject to the seasonal fluctuations of the construction industry because most renovation work is completed in an enclosed area.

In our opinion, S. 724 allows for a quick start up. Furthermore, it targets National Register projects. There is precedent for this type of grants program which dates back to the late 1970s. Experience indicates that the current State Historic Preservation Officers system could easily implement priority preservation projects of national significance, if given the necessary financial resources. While the benefits of increasing employment are obvious, this program would help the federal and state governments better fulfill their obligation of preserving our national heritage. While the recently passed jobs bill included $25 million for non-income-producing historic buildings, especially public buildings, it meets only a part of the preservation task across the nation.

While the Institute supports the logic of including preservation projects in S. 724 as a key feature in producing jobs, we do want to briefly comment on the major provisions of Title IV. Regarding section 401(b)1, we find it commendable that the legislation provides funding for such a wide variety of historic treasures. This section includes the rehabilitation of buildings, structures, districts, sites and objects that have been significant in U.S. history, architecture and culture. While historic preservation projects often generate economic activity in their surrounding area, this development rarely extends to the scope and types of necessary improvements envisioned in section 401(b)1. This aspect of the legislation would prove most valuable in preserving a variety of important resources.

The $500 million appropriation level for the Secretary of Interior to allocate among the states represents a reasonable amount that is consistent with the Department of Interior's experience in operating preservation programs. The funding allotment formula and the implementation mechanism are extremely satisfactory. We are pleased at the decision to utilize the State Historic Preservation Officers as the major project selectors. Few federal programs have consistently produced outstanding results to compare with the federal/state preservation partnership. State historic preservation officers are the experts in their states; They are familiar with the economice, cultural and historic factors necessary to administer efficiently a preservation program such as the one S. 724 envisions. This structure is similar to the historic preservation fund which has generated billions of dollars in preservation-related economic development under the guidance of the State Historic Preservation Officers' system.

Of special concern to the AIA is Section 402(d), which requires all eligible projects to meet the Secretary of Interior's Standards for Historic Preservation Projects. The Institute has found that the Interior standards are valuable in preventing substandard preservation work. The additional requirement, that the historic property owner convey to the state at least a 25-year binding agreement to preserve and maintain the historic elements of the property, should insure that the federal investment is well protected. To limit or omit section 402(d) from final legislation would be a mistake, in our opinion.

In commenting on Section 403 of the legislation which addresses the role of the National Trust for Historic Preservation in administering the Inner City Ventures Fund, the AIA wants to emphasize our continuing support for the excellent leadership that the Trust has given the nation's preservation effort. We share the Trust's goals and concerns for preservation and find that its indlusion in S. 724 in a major administration and evaluation role is not only prudent but also should insure the success of the Inner Cities Venture Fund program as well as other aspects of Title IV.

The Inner City Ventures Fund (ICVF) provides low-interest loans and matching grants to nonprofit neighborhood organizaitons undertaking rehabilitation projects producing housing or economic opportunities for lower-income populations in the nation's historic areas. Projects funded to date have included rental and sales housing renovation as well as cooperative housing development. Several of the projects also have created commercial and industrial jobs in urban and rural neighborhoods. With the proposed appropriation of $25 million, the ICVF would make awards, each leveraged with locally-secured funds. To maximize the job creation potential of the program, each ICVF dollar will be expected to generate about eight local dollars. The average award size will be $110,000, with a maximum size of $150,000.

Through its unique preservation activities, such as ICVF, the Trust has provided invaluable leadership and support for preservation both nationally and at the local level. The Trust continues to play a leading role in the preservation and adaptive use of our historical and architectural heritage, in thousands of communities across our nation. Its successes can be seen in almost every urban landscape across the nation.

In conclusion, the Institute strongly believes that the Chairman and Senator Randolph have produced an excellent preservation program effort in Title IV to S. 724. I offer the Committee our assistance in doing whatever we can to move this provision toward an expeditious passage in the 98th Congress. The AIA thanks the Chairman and Senator Randolph for producing this title and for the opportunity to testify today.

TESTIMONY OF MICHAEL L. AINSLIE
PRESIDENT OF THE NATIONAL TRUST FOR HISTORIC PRESERVATION
IN SUPPORT OF INFRASTRUCTURE/JOBS LEGISLATION
BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
April 12, 1983

On behalf of the National Trust for Historic Preservation, our more than 135,000 members, and the millions of Americans involved in historic preservation and community revitalization, I am pleased to have been invited to share our views on legislation under consideration by this Committee to address the critical issues of unemployment and infrastructure decay. I am here today to endorse the provisions of S. 724, the "Public Investment/Jobs Act of 1983" introduced by Chairman Stafford and Senator Randolph, which would provide employment for thousands of Americans while preserving our nation's historic buildings, neighborhoods, commercial areas and the infrastructure that supports them.

The National Trust was chartered by Congress in 1949 to lead private efforts to preserve and enhance the nation's diverse architectural and cultural heritage. For 34 years, we have focused our work on getting more individuals and organizations involved and investing in private sector preservation. We advocate the ethic of conservation and continued use of the physical reminders of their heritage so that future generations can benefit from the labors of their predecessors and the legacy of their craftsmanship. We find it significant and proper that this Committee and the Congress is focusing on the maintenance, repair and rehabilitation of our nation's infrastructure. We are also gratified that historic preservation is being recognized as a partial solution to one of our most pressing national problems -- the waste of human capital and production brought on by unemployment.

We feel that Title IV of S. 724, known as the "Historic Sites Development Jobs Act of 1983," is a bold initiative to link more productive employment opportunities with the preservation of the most important of our nation's historic places. By making a significant commitment of federal funds, to be matched by state and private investment, Congress can seize upon a cost effective program to put Americans to work. At the same time, Congress can make a much needed contribution to enhancing the condition of our historic resources for the benefit of all Americans -- whether urban or rural, rich or poor.

## PRESERVATION AND THE ECONOMY

As you know Mr. Chairman, historic preservation has evolved from a narrow focus of saving nationally prominent homes and monuments as museums to a broad based movement concerned with improving historic neighborhoods, downtowns, waterfront areas and small town main streets. The result is a better quality of life for those who live and work in these areas and, indirectly, for all Americans. While we have certainly not abandoned our concern for saving the most significant places as reminders of our past, we have increasingly focused our attention on making historic preservation an effective tool for housing creation, economic development and community revitalization.

Historic preservation is working for people in cities and towns throughout the nation. We know this because the National Trust is participating in partnerships with communities to achieve the complementary goals of historic preservation and revitalization. Our National Main Street Center has employed preservation as the focus of comprehensive efforts to bring an economic renaissance to struggling small city downtowns. The results have been impressive.

We have learned that revitalized historic areas are incubators for new businesses and create a better overall business climate. Within a two-year period, our 29 Main Street cities experienced 340 new business starts. Almost $23 million was commited to rehabilitation projects on these 29 main streets that many had once written off as economic failures. Clearly, preservation is translating directly into increased local and state tax revenues, business receipts and jobs. Many communities have experienced a boost in civic pride and have marketed their historic areas to bolster tourism.

Our experience further tells us that preservation and rehabilitation is working because people are realizing that maintenance and repair is cheaper than tearing down and building anew. We have collected data on rehabilitation projects undertaken over the past decade and have found that, on average, rehabilitation is from 30-40% less expensive than comparable new construction. In a time of limited resources, the public and private sectors are finding it wise to reuse the resources of the past.

## EMPLOYMENT AND HISTORIC PRESERVATION

We are also realizing that where historic preservation activity has blossomed, people are finding employment opportunities. Investment in preservation and rehabilitation is generating permanent jobs in revitalized areas, as well as jobs in construction trades. The accelerated investment in historic preservation that would be spurred by the passage of S. 724 would yield great dividends in job creation. For a given investment of funds, historic preservation projects are the most labor intensive of building and construction activities. In comparison to new construction, historic rehabilitation requires a smaller investment in site preparation, materials and heavy construction equipment. Historic rehabilitation utilizes an existing site, building shell, internal structure, and often, interior details. Consequently, for any given rehabilitation project, comparatively more dollars are devoted to labor.

The National Trust recently completed an analysis of information collected from grantees in the Department of Housing and Urban Development's Urban Development Action Grant (UDAG) program. That analysis found that, throughout the program's history, projects involving historic preservation were the most labor intensive. Applicants reported that historic preservation projects created more than one third more construction jobs for each dollar of project costs than other UDAG projects. Had information been available to exclude new construction elements of these preservation projects, such as parking lots and new building additions, this advantage would likely have been even more dramatic.

And preservation projects put people to work quickly. Because much preservation work involves updating mechanical systems of buildings and interior refinishing, it is mainly indoor work. Thus, it can be initiated year-round in all areas of the nation.

Finally, preservation work employs a variety of worker skills. Some work requires skilled craftsmen and members of the traditional construction trades. Other work is unskilled. The rehabilitation industry has been cited by building industry publications as a major growth area for the workforce in the decades ahead. An investment today in preservation holds great promise for training workers to meet future demands.

## STATE GRANTS

We enthusiastically endorse the authorization of a $500 million one-time block grant to state historic preservation offices for distribution on a matching grant basis to create employment in preservation projects. The program, as outlined in Title IV of S. 724, would be an effective vehicle for achieving the complementary goals of historic preservation and job creation.

We endorse the program's goal of targeting funds to areas with the most severe unemployment problems. Many of the declining urban and rural areas of the so-called snow belt are areas that have a wealth of historic resources in need of rehabilitation and repair as well as a deteriorating infrastructure that supports historic areas. These same areas are also experiencing severe unemployment problems.

Title IV of S. 724 is a flexible program with a minimum of red tape that builds upon an existing state system for cost effective grant distribution and administration. It is our belief that the states are ready and able to take on this responsibility. As you know, Mr. Chairman, the fiscal year 1983 Supplemental Appropriations/Jobs Bill provided $25 million in grants for historic preservation to be distributed through the state historic preservation programs. We are proud that Congress, seeking to quickly provide relief from unemployment, chose historic preservation as one of the tools for accomplishing this goal.

Those funds are being distributed under provisions of the National Historic Preservation Act. Those procedures, although not as flexible as Title IV of S. 724, are similar in administration. The states are today moving expeditiously to identify and fund projects that will meet the goals of the emergency jobs program. Their administrative skills, which build on years of experience in grants management, should further prepare these state offices for assuming the responsibilities that would rest with them under Title IV.

Title IV will also give each state the flexibility to choose those projects that will best enhance historic resources in their states and best achieve the job creation benefits of historic preservation. Together with the Department of the Interior, the states administer the National Register of Historic Places. The criteria for the Register would, under the legislation, provide the benchmark for eligibility for funding. This will insure that the program will be targeted to significant historic resources, buildings and structures and their supporting infrastructure. It also provides the flexibility to state programs to fund properties that have not yet gone through the formal National Register listing process. The bill would also give states the ability to fund needed improvements within historic areas. Finally, all work done under this program would be subject to established standards for historic preservation work, thus protecting the public's investment.

## INNER-CITY VENTURES FUND

Mr. Chairman, we are most proud that you and Senator Randolph have included in this legislation $25 million for the Inner-City Ventures Fund, a program of the National Trust for Historic Preservation. The Fund was established in 1981 to encourage creative private approaches by community organizations for housing rehabilitation and commercial revitalization in their own minority and low-income historic neighborhoods. The Fund has received support from a creative public-private partnership between the federal government, private foundations, corporations and the Trust.

Low-interest loans and matching grants are awarded on a competitive basis to nonprofit neighborhood organizations working to create housing and economic opportunities in the nation's historic areas. Nineteen awards totalling $1.175 million have been made to date. That money has spawned $22.5 million in rehabilitation projects. Funding comes from an alliance of community banks, businesses, foundations and local governments. The projects have included housing renovation, cooperative housing creation and commercial and industrial development. These projects will create approximately 675 housing units, 30 commercial locations, and 175,000 square feet of industrial space. Each dollar of Fund commitment has leveraged approximately $17 of other investment.

We believe we have an impressive record of achievement, and we know that a great demand exists for more assistance. An infusion of federal funds, as provided by Title IV of S. 724, would enable us to take this model program and the experience we have gained from it, and bring these benefits to hundreds of urban and rural communities. With $25 million, we anticipate the Fund would be able to make 200 awards within the next 15 to 18 months. Based on our past experience, these awards could generate upwards of $200 million in investment and produce more than 10,000 construction jobs in those areas that need these jobs the most.

We would continue a policy of making both grants and loans. The loans help enforce a business discipline between the Fund and the recipient and generate capital which can, upon its repayment, sustain new awards. As in the past, awards would be made only in lower-income neighborhoods in both urban and rural areas. All recipient organizations would be offered training opportunities and technical assistance in property, personnel and financial management. Our primary intent would remain to create housing and economic opportunities consistent with the need to preserve the nation's historic heritage and the goal of providing employment in preservation work.

In conclusion, Mr. Chairman, the National Trust wishes to commend you and Senator Randolph for sponsoring this legislation. We urge the Committee and the Senate to give your legislation its speedy approval. The historic preservation projects that would be funded under Title IV will put Americans to work preserving our heritage. These are not make-work jobs. They will enrich the lives of Americans now and in the future. In almost every state, revitalized neighborhoods, commercial areas and urban waterfronts are sparking improved economic conditions for the present and an optimism for the future.

The dividend is the preservation of our history. In these rapidly changing times, preservation helps Americans to keep a sense of place in time and history - a cultural infrastructure, if you will. We can feel a sense of continuity with those who built our nation and can share their aspirations for our future. Congress, with the overwhelming support of the American people, has placed a priority on maintaining the tangible links to our past. This legislation is consistent with that priority.

*National Trust for Historic Preservation*

1785 MASSACHUSETTS AVENUE, N.W. WASHINGTON, D.C. 20036 (202) 673-4000

May 4, 1983

Honorable Robert Stafford
Chairman
Committee on Environment and
Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Stafford:

Enclosed are responses to the several questions you posed to me following my appearance before the Committee. I hope they are helpful in your deliberations over the pending legislation and on the general issues of infrastructure repair and job creation.

I was most appreciative of the opportunity to appear before the Committee and for your hospitality. I also want to commend you and Senator Randolph for your introduction of Title IV of S. 724, the Historic Sites Development and Jobs Act of 1983. In the days ahead, I look forward to working with you to guarantee its passage.

Sincerely,

Michael L. Ainslie
President

*National Trust for Historic Preservation*

1785 MASSACHUSETTS AVENUE, N.W. WASHINGTON, D.C. 20036 (202) 673-4000

Responses to Supplementary Questions by
Michael L. Ainslie, President of the National Trust
For the Committee on Environment and Public Works
United States Senate
May 2, 1983

1. Besides provisions such as those in Title IV, what other steps can the U.S. Government take to encourage historic preservation?

The federal government currently encourages historic preservation in five principal ways. These are:

> (1) through identification and listing in the National Register of Historic Places of districts, sites, buildings and objects significant in American history and culture that are worthy of preservation;
>
> (2) through regulation of federally funded, licensed, or assisted undertakings that affect National Register eligible properties (principally under the National Historic Preservation Act, the National Environmental Policy Act and the Department of Transportation Act);
>
> (3) through direct financial assistance (principally through grants under the National Historic Preservation Act and the Community Development Block Grant Program under the Housing and Community Development Act of 1974);
>
> (4) through federal tax incentives to encourage the rehabilitation and long-term preservation of historic properties. These include the 25% investment tax credit for the certified rehabilitation of an historic structure and the charitable contribution deduction for the donation of an historic preservation easement.

Each of these elements is critical to an effective national program. Unfortunately, each of the elements has not worked as well as could be hoped. Specifically, the identification and protection of historic buildings has been hindered by a lack of adequate funding for administering the National Register, for certifications for historic rehabilitation tax incentives, for assisting local government preservation programs, and for assisting federal agencies in their preservation planning.

Preservation is not a priority for federal agencies notwithstanding their legal responsibilities. Federal project reviews have, in too many cases, given insufficient weight to preservation in decisions that resulted in unnecessary losses. In addition, no existing federal laws prohibit demolition in federally assisted projects, even where an historic property is of transcendant importance.

Federal financial assistance for preservation has also been limited. Over the past two years, the Administration has proposed no funding for the National Trust and the state historic preservation programs. Until the recent passage of the emergency jobs legislation, no federal funds were available for "brick and mortar" preservation of needy historic properties. The administration has, again for FY 1984, requested zero funding for preservation. The Congress should appropriate $60 million in matching grants from the Historic Preservation Fund to support the state preservation programs and the National Trust.

Lastly, the tax incentives for historic preservation have been dramatically successful in encouraging the rehabilitation of income-producing properties. However, in these times of increasing budget deficits, it is important for the Congress to withstand pressures to eliminate or weaken the incentives that are redirecting private investment into scarce historic properties (less than 1/4 of 1% of all buildings in the country).

Attention to these issues and the laws on the books would go a long way toward encouraging historic preservation.

2. One of the issues we face with this legislation is achieving a balance between the "jobs approach," which limits material costs and therefore is criticized for producing make-work employment and, on the other hand, "public-works" projects, which require considerable expenditure for materials and therefore limit the numbers of jobs produced. What can be anticipated from preservation projects which might help provide productive jobs?

As our testimony indicates, we firmly believe that there is a definite link between preservation projects and job creation. Rehabilitation projects are more labor intensive than new construction. They provide experience and training for workers in a growth industry in places where these jobs are needed. They also help create permanent job opportunities in revitalized areas. Both the construction jobs and permanent jobs created are not "make work" jobs. Moreover, rehabilitation of public buildings and facilities is an opportunity to have public-works projects that are both materials conserving and labor intensive.

Historic preservation is a national priority, and investments in preservation projects purchase the long-term preservation of our nation's heritage.

3. How quickly can historic preservation projects be reviewed and under construction?

Because Title IV of S. 724 would utilize the existing system of state historic preservation offices to select projects and distribute funds, projects could be initiated quickly. In the emergency jobs legislation recently passed by Congress, $25 million was provided for historic preservation grants. Congress gave the states very tight deadlines, for the use of these funds. We anticipate that the vast majority of states will have no difficulty meeting these stringent deadlines, which call for the obligation of all funds by October 1 of this year. The distribution of funds under Title IV would also be made expeditiously. The $25 million the bill authorizes for the National Trust's Inner-City Ventures Fund would also be distributed quickly. We anticipate four rounds of competitive applications and grant awards within 12 to 14 months.

4. In your experience, are there any particular administrative issues which need our attention to insure the usefulness of these funds?

The principal administrative concern that deserves the Committee's attention is the prompt distribution of funds by the Department of the Interior without additional restrictions imposed by the Secretary. Title IV is designed to have a minimum of federal involvement in the distribution of funds and the selection of projects. It is important that states receive sufficient flexibility to choose valuable projects. It is also important that states receive administrative funds at the earliest possible date so that any additional staff required to administer the program can be hired.

5. Do the State Historic Preservation Officers have the administrative capability to administer funds of this magnitude?

As discussed in number 3 above, the states are administering job creation funds at this time. Their work builds on years of experience administering grants under the National Historic Preservation Act. While a program of the size envisioned by S. 724 would require the hiring of additional staff, the management capability already exists within the state offices.

6. What is your experience with the durability of projects? Do the owners keep them up after grants?

Those who invest in historic preservation projects usually have a great deal of pride in the quality of their work. The basic structure of historic buildings is often of better quality than their modern counterparts. With the necessary mechanical and cosmetic updating, these buildings have a "life expectancy" as long as that which could be expected from a new building. Because of the investment made in quality work, owners can be expected to maintain their buildings in excellent condition. In most cases, historic buildings present no maintenance burdens beyond those expected from a new building.

To insure that buildings and their historic features are properly maintained, Title IV does require the owner to agree to preserve the historic features of the building as a condition of receiving grant assistance. This is an important safeguard to prevent the inappropriate alteration of an historic building receiving public assistance.

My name is Jose Ovalle. I am the Executive Director of the Eighteenth STreet Development Corporation, ESDC.

The objectives of our seven-year old, not-for-profit community based organization are two-fold:

First, to train minority youth between the ages of 16 to 19 in the construction trades, so they may gain entry into their respective unions as indentured apprentices.

Second, to provide decent affordable housing to low and moderate income families.

As a result of the delivery system cultivated by our organization, ESDC has obtained written contractual agreements with three major labor unions in Chicago. They are the United Brotherhood of Carpenters, the Plasterers P & B Society and the United Order of Bricklayers and Stone Masons.

Through these agreements, ESDC trainees are assured entry into the unions as apprentices, thereby enhancing their employability in the construction industry.

As of December 1982, ESDC has graduated 85 trainees, 67 of whom are currently employed, 53 of whom are indentured union apprentices. Some of these apprentices have reached the journeymen status, and as such their earning capacity is an average of $19.00 per hour including benefits.

ESDC trainees attend Washburne Trade School 1 day a week and are on-the-job training rehabilitating abandoned buildings in Chicago's largely Hispanic community of Pilsen. Under the supervision of a journeyman ratio of 6-1, ESDC trainees have rehabilitated 24 housing units. These units are presently occupied by low and moderate income families.

The recent budget cuts for training effectuated by the Federal Government has adversely affected the ESDC. Not only were we cut in the number of trainees, staff, and administrative costs, but we are no longer provided with monies for construction materials, tools, and sub-contractors.

Every training institution and business ever engaged in quality training understands the problem our organization is presently experiencing as a result of this important, but missing component.

In 1981, Congresswoman Cardis Collins and Congressman Harold Washington held hearings regarding the proposed CETA cuts on Employment and Training. ESDC participated by testifying in these hearings. We proved conclusively that within a period of 4 years (that of an apprentice duration), an ESDC graduate paid back all monies spent by the Federal Government in his training two-fold in the form of tax revenues. Before entering our training, most of these individuals were H.S. dropouts, unemployed, and many were members of a family receiving public assistance.

The National Trust for Historic Preservation has surged to the rescue of our organization. Besides providing us with a grant/loan committment for a total of $40,000, the National Trust for Historic Preservation has guided ESDC to other funding sources to help us accomplish our goals of training and housing for low-income families.

In essense, The National Trust for Historic Preservation has been instrumental in assisting ESDC with the endeavor of raising approximately $190,000 for construction materials and sub-contractors needed to rehabilitate a 12-unit apartment building. Currently, this building is now in progress of being rehabilitated by the trainees of the Eighteenth Street Development Corporation.

Testimony of Eric Gilbertson, Director of the Vermont Division for Historic Preservation, before the Committee on Environment and Public Works in regard to Title IV of S.724 - April 12, 1983.

Mr. Chairman, my name is Eric Gilbertson, and I am the Director of the Vermont Division for Historic Preservation and Deputy State Historic Preservation Officer for Vermont. Mr. Milton A. Eaton, the State Historic Preservation Officer, regrets not being able to be here, but the needs of the last days of Vermont's legislative session have kept him in Vermont. I am pleased to be here to speak on Title IV of S.724, the Historic Sites and Development Jobs Act of 1983.

Although the primary purpose of this legislation is to create jobs, targeting a specific amount to historic preservation has a number of additional benefits. It utilizes a program already in existence. It will also provide needed assistance in preserving our Nation's heritage, thereby increasing the local tax base, provide stimulus to tourism which is an important industry nationwide, leverage private investment for the public benefit, and encourage the public and private sectors to work together toward a mutually beneficial goal that provides short and long-term economic, social and cultural benefits. I believe my testimony will illustrate these facts.

The Vermont Division for Historic Preservation has had direct experience in administering funds appropriated to create jobs for historic preservation projects. In 1976, when I was Assistant Director of the Division, Vermont received $1.2 million in Title X EDA funds. Under that program, 128 buildings and structures in 23 Vermont communities received grant funds. A total of 900 people were employed, 300 of whom came from the roles of the unemployed. Significantly, the discretion the State had in administering these funds allowed for cash to begin flowing to projects in less than 60 days after we received notification of the grant award.

These funds, like Title IV of S.724, were administered on a 50/50 matching basis with the property owner, either individual, corporate, or municipal, supplying a minimum of 50 percent of the cost. In fact, in most cases, the non-Federal share exceeded the Federal share by a significant amount. In Rutland, for example, $350,000 in Federal funds produced $1.1 million in private investment for those projects in addition to approximately $1.5 million of private investment in other historic preservation downtown revitalization projects. In Rutland, part of the private investment was encouraged by a loan pool established by local banks that provided loans to project participants at one percent above prime with a ten-year payback.

Not only did this program provide jobs and economic benefits to the towns that participated, it made an important contribution to the preservation of each town's heritage. This is very important for several reasons. First, it now seems clear that a part of our Nation's heritage lies in the towns and neighborhoods that we grew up in, or that our parents or grandparents grew up in. The preservation of main streets in towns and villages, the neighborhoods in our cities, our buildings and farms in the country is all in the public interest because it provides every citizen with an opportunity to learn from and enjoy the part of our Nation's history that is most important to them.

One way to evaluate the worth of a program is to evaluate its acceptance by the public - the results it produces that affect people's lives. An editorial that appeared in the Rutland Daily Herald on May 27, 1978 entitled, "Historic Preservation" said:

> "Rutland's downtown renewal program received some favorable attention this week at an all-day conference in Montpelier on 'Main Street Revitalization.'

> "Arthur Sanborn, president of Rutland's Downtown Development Corporation, told the conference that a $350,000 grant from the state Historic Preservation Division has generated $1.2 million worth of construction over the last 18 months. Vacant downtown space which, he said, totaled 175,000 square feet in 1976, 'is now in the process of being filled' and could eventually mean $613,000 in inventory tax money to the city.
>
> "Senator Patrick Leahy, who was a sponsor of the conference, had noted in a speech delivered earlier and reprinted for distribution at the conference that the $350,000 in government funds had generated 60 new permanent jobs in Rutland, while welfare for the same number of individuals would have cost $360,000.
>
> "Government grants, it is obvious, serve a most constructive purpose when they stimulate private expenditures which improve the local economy. The construction process itself is a stimulus and so is the finished product with its increased value as taxable property."

The benefits cited in this editorial are exactly those that can be produced with Title IV of S.724.

An article in the White River Valley Herald of Randolph, Vermont, on November 18, 1976, only ten months after the State had received its funding for the program, said, "An Unlikely Federal Program Beautifies The Valley." Burt Moffat, the Superintendent of Randolph Village and Town Manager of Bethel said, "It's probably the best Federal-State-Local program I've ever seen come down the pike."

The article went on to say that the 33 projects in the rural White River Valley involved the hiring of 82 persons, 32 of whom had been unemployed and that "aside from the economic benefits, the program allowed for the restoration of several landmarks in the valley, notably improving the appearance of the towns." One accomplishment of note in Randolph was the transformation of a "derelict fire house" into town offices. This $50,000 project was funded by a combination of $25,000 in Federal funds, $20,000 from a town appropriation, and $5,000 in private contributions. Thus, this program can benefit rural areas and small towns as well as cities.

These examples of local reaction to the use of funds as proposed in Title IV of this Bill give an accurate picture of the acceptance of the program across the state.

The individuals and communities that were involved in this project felt that it was important to make an investment in preserving the heritage of their communities. They have become aware that historic preservation projects draw from the local labor market and that the preservation of the historic character of their communities restores economic vitality in a way that is acceptable to the public and aesthetically pleasing.

One project particularly illustrates the short and long-term impact of utilizing Jobs Bill funds for historic preservation purposes. The Ice House in the Battery Street Historic District in the neglected waterfront in Burlington was a mattress factory that employed three people. As a result of an historic preservation grant, it is now a restaurant and offices that overlook Lake Champlain and houses 60 employees. It was the catalyst to continued development of more than ten other buildings in the area and would not have taken place without funding assistance. In fact, there are now 200 new permanent jobs in the area that are directly the result of preservation projects. A new construction company was formed to do the Ice House project. It continued to do preservation work after the Ice House work was completed, thereby producing permanent jobs for previously unemployed people. Battery Street has been transformed from a depressed area to a new and vital commercial and office section of Burlington and has made the historically significant waterfront the focus of innovative planning in Burlington.

Other projects such as a railroad station in Brattleboro that is now a museum and art center, a hotel and opera house in Bennington, an elderly housing project in St. Johnsbury, all were made possible through the use of historic preservation funding. They continue to fill an aesthetic and economic role in their communities. In Montpelier, and in other communities, work on the rehabilitation of buildings and the revitalization of the community continues even though grant funds have not been available for two years.

It is important to note that many of the jobs created by preservation projects are usually available in the local labor market and are accessible to those usually found on the roles of the unemployed, such as untrained or under-trained individuals, women and the young. These projects also provide the opportunity for the under-trained to acquire new skills that can be transferred to later jobs. Especially notable in this regard are the skills needed in revitalization activities, the fastest growing sector in the construction industry.

Historic preservation projects can be initiated and carried out faster than new construction and with less planning time. Because the buildings already exist, they do not require the expenditure of time, money and energy to supply streets, sewers, water and electricity. The entire support infrastructure is in place. This results in significant cost and time savings. Two historic preservation housing projects, one with 37 units in St. Albans, and the other with 50 units in Montpelier, were completed from start to finish in less than a year. In our northern climate, having the existing building for shelter helps in maintaining jobs and a work schedule over the winter months.

All the states have working historic preservation programs that have administered Federal funds. Title IV would thus utilize an existing system for the distribution of Federal funds and in fact make it more manageable on the State level. As a State administrator, I appreciate flexibility in administrative procedures and a clear statement of goals in Federal programs.

State-level administrators have been gathering the resources to recognize and target good historic preservation projects since 1966. They have done this under the requirements of the 1966 National Historic Preservation Act as amended in 1980. They have been surveying historic properties and documenting them as well as nominating selected properties to the National Register. Section 402(c)(1), (2) and (3) of Title IV provides for a specific process to allow the states to draw from the vast number of properties that are eligible for inclusion in the National Register but have not yet been listed and most importantly provides for a quick means to determine eligibility at the State level by utilizing the preliminary step of a National Register nomination. This will expedite the commitment of Federal, local and private funds; and, therefore, expedite the creation of jobs. It also provides a safeguard that the funds will be spent for historic structures according to the intent of Congress.

Section 402(c)(5) recognizes the importance of "setting" in contributing to the historic character and usefulness of a building. Vermont has also recognized the importance of streets, sidewalks, lights and other elements of setting in planning for preservation projects but has never been able to fund them.

We have found that the best way to preserve a building is to insure that it provides an income or other useful service to the owner. This is accomplished by seeing that the building has the capability of contributing to the economic vitality of a community and the environment of the building does contribute significantly to this capability.

The goals that are set out in Section 402(3) are clearly important to carrying out the purpose of this proposed legislation. However, as specific priorities, they do present some potential for conflict. Therefore, it should be stated in the legislation that these are general guidelines for programmatic compliance and not specific goals by which each project would be rated.

If this legislation is passed, Vermont would receive something over $3 million under Title IV. In order to assess the potential impact of that on preserving the State's cultural resources and to plan a program for the future, I would look at the record of our grants program. Since 1966, Vermont has received $3.7 million in historic preservation funds. Over 200 projects in 54 communities have received Federal assistance under this program. The $1.2 million Title X EDA grant produced over 100 projects in 23 towns. From this it is clear that the impact has been widespread, but by no means has yet tapped anything but a small part of Vermont's historical or financial resources that are available to provide the state share as set forth in Title IV. I would also think that this program provides the ideal situation to start a revolving fund to be utilized in carrying the benefits of the legislation forward in future years and provide the states with the ability to follow up on the continued interest that is always generated by successful preservation projects. To do this, I would target those projects that have the best potential for a strong cash flow position to receive a certain portion of their funding as a loan rather than a grant.

I would also utilize the provisions of the legislation that allows aggregate match within states to provide extra funding to those projects which provided a particular benefit under the project selection criteria established in Section 402(e).

Vermont will receive a little over $400,000 for historic preservation development grants under the Jobs Bill recently passed by Congress. Although we have not yet solicited applications, the Division already has requests and inquiries for funding assistance for more than the allocated amount. Using this information to project needs and reaction to our $3 million for historic preservation funds for the State of Vermont, I see no problem in rapidly soliciting good applications, allocating the funds and getting people working on good historic preservation projects.

In order to carry this out, it is important that the 5 percent allocation for administration be retained. In order to administer these funds quickly and responsibly in Vermont, I would anticipate hiring two new employees. Because of personnel policies in Vermont, which I believe are common to all the states, it would assist the administration of the program if a part, perhaps one-half of the allowance for admininstration, be given to the states upon passage without the match requirement. This would allow the immediate staffing to handle the granting process more rapidly and also allow for a grants program that would be creative in best meeting the requirements of the legislation.

This proposed legislation would provide an excellent opportunity to combine a number of different goals. It would create short and long-term employment, preserve our Nation's heritage, revitalize urban and rural communities, and do it within an existing administrative structure with documented goals and resources.

**STATE OF VERMONT**

*AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS*

MONTPELIER, VERMONT 05602

OFFICE OF THE SECRETARY (802) 828-3211

MILTON A. EATON, SECRETARY

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Housing & Community Affairs 828-3217

DIVISIONS OF:
Administration 828-3231
Historic Preservation 828-3226
Vermont Travel Division 828-3236
Vermont Life Magazine 828-3241

May 13, 1983

Senator Robert T. Stafford
Senate Office Building
Room 5215
Washington, D.C. 20510

Dear Senator Stafford:

Thank you for the opportunity to appear before the Committee on Environment and Public Works and speak to some of the opportunities that S.724, Title IV presents for historic preservation.

Enclosed please find my written response to your questions. If I can be of any further assistance to you or the Committee, please do not hesitate to ask.

Sincerely,

DIVISION FOR HISTORIC PRESERVATION

Eric Gilbertson

Eric Gilbertson
Director

EG/cjd

Enclosure

Questions for Eric Gilbertson, Vermont Division for Historic Preservation, from the Senate Committee on Environment and Public Works

1) *How would you specifically recommend the expenditure of $3 million in Title IV money in Vermont?*

Under Title IV, the distribution of the funds is controlled by the availability of matching funds. Although this would not be a problem, it does limit my ability at this time to give you a specific list of projects. There are, I know, projects in St. Albans, Rutland, Burlington, Springfield, and Hardwick which would certainly be eligible to receive funding.

I would recommend that an allocation process that utilized town, village and city officials, historical societies, development organizations, and citizen interest groups be established. For the Division's Title X EDA funds, we requested that each eligible community (in the case of Title X, all towns, cities, and villages in Vermont) appoint a contact person to seek out projects in that community and supply us with the information about those projects for evaluation. This would allow each community to choose the project it felt was do-able and would benefit the community.

In conjunction with this, the Division would establish a set of criteria for awarding funds based on factors such as: the importance of the project to the economic revitalization of the community (both short and long term); the historic importance of the building on a local, state or national level; the kind of work being done (essential structural work being given first priority); the feasibility of the project; the possibility that the project would stimulate other preservation work.

2) *One of the issues we face with this legislation is achieving a balance between the "jobs approach," which limits material costs and therefore is criticized for producing make-work employment and, on the other hand, "public-works" projects, which require considerable expenditure for materials and therefore limit the numbers of jobs produced. What can be anticipated from preservation projects which might help provide productive jobs?*

Historic preservation projects inherently strike a balance between the "jobs approach" and the "public-works approach" to projects. My records indicate that about 70 percent of the cost of a preservation project is labor and about 30 percent materials. Both the kinds of labor and the kinds of material utilized are most often locally available; that is, most supplies would come from the local lumber yard and the vast majority of the work can be carried out by local contractors.

This balance is not pre-conceived nor artifically obtained, but is the outcome of the type of work that is required to rehabilitate historic buildings. With historic preservation projects, property of value is enhanced and preserved to take its place as a useful part of a community again.

It is also important to note that these projects will produce places for permanent jobs or housing.

*3) How quickly can projects be reviewed and under construction?*

Historic preservation projects can be underway very quickly. They do not require the site and utility work or the permits that are required for new construction. They avoid the issues of zoning and the appropriateness of new construction. In Vermont's winter climate, the existing building provides shelter for the interior work. It has been my observation that historic preservation projects can be started in about one-half the time of new construction and are often completed in less than half the time.

In Vermont's experience with previous "jobs" money for preservation work, work was underway in less than 60 days after the State received notification of the grant.

*4) In your experience, are there any particular administrative issues which need our attention to insure the usefulness of these funds?*

The key to rapid and effective administration of these funds is for Congress to provide clear guidelines as to the purposes of the money and to direct that the states have maximum flexibility in choice of projects. The state historic preservation programs are familiar with Federal administrative procedures and are guided by state plans which have identified historic properties. There is no need to slow the process down by having Federal agencies produce new rules or drag out old ones that are not directly relevant to carrying out Congressional goals.

The provision for 25-year covenants should also be changed to reflect the schedule already in place for historic preservation grants: under $5,000, a Letter of Agreement; $20,001 to $50,000, ten years; $50,001 to $100,000, 15 years; and over $100,000, 20 years.

There should also be a part of the administrative funds that is allocated without a match requirement to allow the states to quickly hire needed personnel to administer the program.

*5) Do the State Historic Preservation Officers have the administrative capability to administer funds of this magnitude?*

All the State Historic Preservation Officers are experienced in the administration of Federal funds. Because of recent cutbacks in Federal appropriations for preservation, some states would have to increase their staffs. In these cases, the unmatched administrative funds would be particularly important.

In historic preservation projects, 50 percent of the funds are provided by the private sector. This lessens the state's administrative burden and places it on the project owner. Vermont would certainly have the capability to administer funds of this magnitude; and I believe that with few exceptions, the other states could and would welcome the opportunity to carry out long-planned and needed projects.

*6) Are these grants redundant in the face of the tax incentives? Does the government lose leverage through grants?*

These grants would not be redundant in the face of tax incentives. The government would gain leverage on a new and large group of potential preservation projects. The tax incentives require that the project be income producing and that the cost of the work at least equal the adjusted basis of the building on which the work is being performed. This leaves out buildings such as museums, municipal buildings, and churches which often are key structures in preserving the historic character of our cities, towns and villages. It also leaves out projects such as storefront rehabilitations in our downtowns which have a high public impact but do not constitute a substantial rehabilitation. This type of grant program would add significantly to the government's leverage in preserving the nation's heritage.

*7) Are the people in towns and villages interested in preservation?*

Over the last 10 to 15 years, people in cities, towns and villages have been shown by completed projects that historic preservation both preserves their heritage and enhances their economy. In Vermont's Title X EDA projects, the Division worked directly with liaison people appointed by the towns to select projects. The Division has already received more inquiries about projects for funding from cities and towns under the recent Jobs Bill appropriation than can be funded in the program.

Both private citizens and government officials are interested in carrying out historic preservation projects in their cities or towns.

*8) What is your experience with the durability of projects? Do the owners keep them up after grants?*

The historic preservation projects done through the Division's Title X EDA program are now six and seven years old. Without exception, they have been maintained and continue to serve as they were planned to under the project. Under this program, matching grants were given to non-profit groups, local governments, churches, and private property owners. All have maintained their buildings since the projects and many have continued to do further rehabilitation. In addition to the projects that were funded through the Division, additional spin-off projects also happened. This indicates the effectiveness of the program, local enthusiasm, and the general practicality of preserving and re-using old buildings.

*9) Could you discuss the kinds of jobs produced?*

The jobs produced by historic preservation projects are most often those found within the job market area of the project. They are not the kinds of jobs such as steel and concrete construction that require special skills that are only available from a limited number of contractors. There is work for masons, carpenters, roofers, painters, etc., all the skills that are normally regarded for remodeling work. Often these workers obtain new skills and respect for historic construction and finish detail that allows them to go on and do better work and be more employable in the future.

*10) Where do the workers come from?*

Because the skills required are those normally found in the local job market, the workers are most likely to come from areas that are near the project. Supplies are also usually purchased locally as well.

*11) As you know, we are faced with the fact that the public infra-structure of the nation has deteriorated to a critical point. As preservationists, you have been reviewing the buildings of the nation for several years. What issues, in your opinion, will confront us in regard to the condition of the structural stock of America? What do you see as policy implications of your observations?*

A high percentage of the building stock in America is over 50 years old. Much of the historically significant stock is in the older centers of our villages, towns and cities and scattered through the rural countryside. These structures have been self supporting for many years but are suffering now from the impact of newly developed shopping, housing and office complexes. In many cases, they also have problems in meeting modern code requirements when faced with a change of use. These buildings are facing the need of substantial capital investment in order to realize their full potential as contributors to the communities they are in.

If these buildings are not recognized as an important public asset, they will continue to deteriorate at an ever increasing rate. If this trend is not reversed, significant numbers of people will be displaced, and the infrastructure that has been built and paid for and has supported these buildings for years, will be wasted. We will also lose a significant portion of our heritage.

NADO
**NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS**
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Statement of:

Chris Page, Executive Director

Economic Development Council of Northern Vermont, Inc.

Saint Albans, Vermont

On Behalf of

The National Association of Development Organizations

Before the

Committee on Environment and Public Works

U.S. Senate

On

S. 23 "Rebuilding of America Act of 1983"

S. 532 "Public Investment Incentive Act of 1983"

S. 724 "Public Investment/Jobs Act of 1983"

S. 871 "Regional Economic Development Act of 1983"

April 12, 1983

STATEMENT BY CHRIS PAGE, FIRST VICE PRESIDENT, ON BEHALF OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS BEFORE THE U.S. SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS, APRIL 12,1983.

## INTRODUCTION

Mr. Chairman, members of the Committee, I am Chris Page, executive director of the Economic Development Council of Northern Vermont with offices in Saint Albans, Vermont. I am First Vice President of the National Association of Development Organizations (NADO) and am testifying on their behalf.

I am pleased to have the opportunity to appear before this committee to discuss the various bills before you which concern economic development programs that are important to my region and others throughout the country.

## NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

The National Association of Development Organizations was founded in 1967 by a group of economic development districts to promote development in small communities and rural areas. Today our members are multi-county planning and development organizations and other state and local agencies which help local governments and the private sector work together to create and retain jobs.

## ECONOMIC DEVELOPMENT DISTRICTS

For thousands of communities development district staffs provide the only professional assistance to governments, businesses and citizens in the field of economic development. In this time of economic recession, districts are needed more than ever.

By working cooperatively through economic development districts, local governments and the private sector can maintain and create jobs with a minimum of control from Washington and maximum local participation. The district approach to job creation has developed a partnership between local governments and the private sector which is exactly what the Administration is supporting.

I would like to quote what a consultant's study of EDA district planning program said:

> " The most important impact districts have accomplished has been serving as a catalyst to make political and business leaders realize that economic development is a process, that they can and must have influence on that process to ensure it occurs at levels adequate to meet the economic needs of their area, and that the process proceeds more efficiently and frequently when the public and private sector work at it together. In every district there were accomplishments that would not have happened without the 301b program."

Clearly, economic development districts have become an essential part of the institutional structure in much of rural America. Without district staff assistance, many small communities would be worse off than they are.

There is little doubt that much of our nation's existing physical infrastructure needs reconstruction, rehabilitation, or repair. It is indeed unfortunate that the "system" did not provide for better maintenance and ensure that replacement funds would be put aside over the years. What we are now experiencing in the guise of a physical infrastructure "crisis" is really only the result of institutional failure.

Without an adequate institutional infrastructure --- appropriate fiscal planning, budgeting, and expenditure policies included --- we are doomed to repeat such physical crises on a cyclical basis. We believe that development investment strategies are needed to provide for coordinated development of public and private capital facilities on a life-cycle cost basis. The need for investment strategies is particularly important in rural areas where both public and private resources are scarce.

## RURAL DEVELOPMENT PROBLEMS, NEEDS, ISSUES

Some rural areas are growing while others continue to decline. THe 1980 decennial census shows that population in rural regions rose by 15.4 per cent between 1970 and 1980. The increase has placed new burdens and pressures on local governments. The demand for services is up, and the need for new jobs is evident. A recent U.S. Department of Agriculture study has shown that many small farmers are able to keep their farms because of outside jobs. The availability of jobs, according to the study , is the most serious economic problem for small farmers. Despite growth in certain regions, there is a lack of employment and opportunity in other rural areas. Consider these facts:

- Over-Specialization by Economic Sector- Rural areas are often more dependent upon one or two economic activites for the majority of employment. Dominant activities vary from one area to the next. Mining, agriculture, forestry, fishing, and tourism are the usual major employers.
- Isolation- Rural areas are often more physically and culturally isolated from major markets. Examples include the fact that rural manufacturing firms may not be as aware of changes in consumer habits as firms closer to major consumer areas.
- Transportation- Many rural areas lack the air and rail facilities to attract and hold business. Adequate transportation facilities are not only absent in many rural areas, but others like secondary highways and bridges are poorly maintained due to a lack of funds.
- Unemployed are Exported- Unemployment figures for rural areas are often misleading because the unemployed leave the labor force , if not the area, after a period of unsuccessful job searching. Youth outmigration is still a problem.
- Small Community Tax Base Makes Debt Financing Difficult- Rural communities often lack the ability to build public facilities to attract business on their own. The small tax base of many rural communities prohibits any expansion of existing utilities without outside help.

Of importance to many small towns and rural areas is the fact that many small banks have been selling off (liquidating)their tax-exempt bond portfolios. Small banks have been disenchanted with tax-exempts since their federal tax bracket was reduced by the Revenue Act of 1978. Beginning in 1979, their tax rate was changed to 22 per cent on the first $100,000 of taxable income, rather than the first $25,000. The effective result has been that banks with assets between $5 million and $20 million have enjoyed a tax reduction (from 48% to 22%) which makes tax-exempt bonds less attractive investments. In addition, the Tax Equity and Fiscal Responsibility Act of 1982 imposed a corporate minimum tax on banks. Now they may deduct no more than 85 per cent of the interest cost of carrying tax-exempt bonds (i.e., interest cost on debt incurred/continued in order to purchase tax-exempts). This reduced the effective yield (return) for banks on tax-exempts by approximately 55 basis points (o.55 per cent), further decreasing their attractiveness.

- Historic Demand Shows Greater Need in Rural Areas for Basic Facilities Aid- Rural areas have historically sought different types of federal assistance than urban areas. In 1978, non-metropolitan areas received $49 more per capita in community facilities assistance, $40 more per capita in business and industrial development, and $21 more per capita in natural resources outlays than urban areas. Urban areas received $224 more per capita in defense contracts, $66 more per capita in housing, and $33 per capita more in transportation. (U.S. Dept. of Agriculture, 1980.)

- Poverty Indicators Higher for Rural Areas- According to the White House Rural Development Background Paper "Social and Economic Trends in Rural America":

  1. Incidence of povery is significantly higher in rural areas than in urban areas (35 per cent of nation's poor are rural).

  2. Rural people experience poorer health than urban people. Also, there is a shortage of health services and medical care in rural areas.

  3. Incidence of substandard housing continues to be more than three times as high in rural areas as it is in urban areas.

  4. Per capita income in rural areas lags behind the national averages for per capita income.

- Rural Areas Lack Capital Markets- A February, 1981 study done for the U.S. Department of Commerce, "An Empirical Analysis of Unmet Demand in Domestic Capital Markets in Five U.S. Regions," reported:

  1. Unmet capital demand is highest in rural areas.

  2. Small firms have the most difficulty obtaining capital, and

  3. Independent firms are at a disadvantage in capital markets.

- Payment-In-Kind Program Will Cause Rural Unemployment- USDA's Economic Research Service confirms that the Department's crop reduction program based on payments-in-kind (PIK) will add as much as three per cent to farm-related unemployment.

The withholding of 82.3 million acres from planting will mean shorter work weeks, lay-offs and job elimination in agriculture-related industries, affecting at least 50,000 workers. The program may cut farm-supplier revenues by $5.75 billion as farmers' reduce purchases of seed, fertilizer, pesticides, fuel, machinery, equipement, and direct services such as repairs. Ironically, at the same time farmers' cash crop receipts may fall as much as $11 billion below the 1982 level, further reducing business incomes in rural areas. The result may be exacerbation of the adverse economic impacts already produced by lowered farm incomes during the past three years and two national recessions during the last five years.

- GAO Confirms Small City UDAG Problems- The General Accounting Office has documented the fact that UDAG-eligible small cities with population of less than 2,500 rarely apply and even more rarely receive funding. Although eligible communities under 2,500 population account for 79.5 per cent of the total, they account for only 15.9 of UDAG awards and only 22.9 percent of UDAG applications. When they do apply, their success rate is only 37.4 percent, compared to 65 percent for communitites over 10,000 population. The reason offered for this situation are familiar --- little or no awareness of UDAG on the part of small town officials; a lack of interested private developers; a lack of staff capacity and technical expertise; a lack of private financing (e.g., difficulty in getting firm financial commitments and inability to leverage enough private investment to make a competetive application).

## THE FEDERAL RESPONSIBILITY

The federal responsiblity for promoting the economic welfare of the nation is little disputed. Differences arise as to the extent of responsibility and the methods to be employed in meeting these obligations.

NADO bases its position on a recognition that all communities are not equally endowed with economic resources and that the effects of broad macro-economic policies do not fall evenly across the land, In fact we see an abundance of cases in which federal policies benefit the economies of few relatively affluent communities at a cost to others which have higher unemployment and lower household incomes (e.g.,procurement of major weapons systems).

We believe that the federal government has a responsibility to encourage, in fact to foster, economic development. To fulfill this responsibility requires more than relatively passive tax breaks which primarily benefit larger, more profitable firms.

Our members are committed to working with Congress to see that an improved federal economic development program is enacted and adequately funded. We not only support passage of an improved federal development program but also support continuation of existing programs in the interim.

For the third consecutive year, the Administration has proposed a package of funding cuts which would adversely affect rural economic development. We are troubled over cuts in development programs which assist economically distressed non-metropolitan areas. The Reagan plan would:

- Eliminate the Economic Development Administration.
- Abolish the Appalachian Regional Commission.
- Substantially reduce the funding for Farmers Home Administration rural development loan and grant programs.

- Abolish the Rural Development Loan Fund, the Community Development Credit Union Revolving Loan Fund, and other programs assisting rural development.

If these budget proposals are accepted by Congress, rural communities could no longer rely on the federal government for needed economic development assistance. And, as you know, few state governments are fiscally able to fill the gap. The result would be a ripple effect since the federal programs tend to be closely linked with private sector investment. In short, program terminations and reductions in funding would effectively decrease the rate of growth in some rural areas and accelerate economic decline and continue population loss in others.

Federal programs to stimulate rural development have been cut significantly during the past five years. Prior to the Jobs bill (H.R. 1718), FmHA rural development programs had been cut by about 78 per cent. They would be reduced further and folded into a block grant to state governments if the Administration has its way. With elimination of EDA and ARC the federal government would have only a portion of the CDBG program, UDAG and SBA loan programs as its active economic development tools.

## STATE AND LOCAL FISCAL POSITION

It is well documented that state and local governments are experiencing fiscal stress. In 1982, federal grants-in-aid and corporate profits tax accruals both declined for the second year running, while sales tax accruals increased at a rate half of that in prior years. Overall despite tax increases, state and local receipts increased by less than five per cent, yet expenditures increased by nearly five and a half percent, despite widespread retrenchment. The result was the first sizable deficit in the local government sector since 1975.

Clearly, such gross figures mask wide disparities. Some state and local governments are relatively well-off in fiscal terms while others are "truly needy." At least sixteen states have experienced severe lags in personal income growth during the past two years. (Indiana, Nebraska, Iowa, Idaho, Montana, West Virginia, North Carolina, Arkansas, Alabama, Kentucky, Michigan, Wisconsin, Wyoming, Oregon, Pennsylvania, Minnesota)

## DESIGNATION CRITERIA AND RURAL DISTRESS

For the purposes of legislation aimed at stimulating or facilitating the creation of employment opportunities it is appropriate to focus on employment-related criteria for identifying or defining economic distress --- we should create jobs where they are needed, if possible. However, economic distress is evidenced by a variety of symptoms, not merely the official unemployment rate. Nor does median family or per capita income adequately reflect the nature of economic distress at the household or neighborhood level. Such statistics are not perfect proxies for hidden unemployment and underemployment. Statistics indicating the incidence of poverty show that a significant proportion of an area's households can be poor while median and per capita figures are skewed by a sizable middle-income group or a disproportionate number of high incomes.

This is not to say that unemployment and income statistics should be ignored. It is just that they do not necessarily reveal economic distress.

We are particularly concerned about criteria for rural economic distress. The inadequecies of federal data collection and statistical definitions regarding rural areas have been well documented. For example, the National Commission of Employment and Unemployment Statistics explicitly recognized the lack of useful labor market indicators for measuring the adequacy of employment for rural workers.

We know that underemployment measures are mandatory for an adequate depiction of nonmetropolitan and rural labor market realities. We know that the exclusion of discouraged workers from the unemployment count has disproportionately adverse significance to the evaluation of rural labor markets.

Rural areas have a higher proportion of low-earnings occupations, unpaid workers in family operated enterprises, involuntary part-time employment, low-return self-employment, and casual, seasonal and migratory employment.

Statistically, the employed include unpaid workers in family-operated enterprises. Also, smaller farm operators receive the great majority of their income from nonfarm sources, yet when they lose their nonfarm jobs they are still counted as employed.

Additionally, rural areas have lower labor force participation rates and a higher incidence of poverty incomes, even among those who are employed full time. An adequate index of rural subemployment would have to include the household heads working full-time but earning incomes below the poverty line. One approach would be to use the Bureau of Labor Statistics measures of "U6" and "U7" to determine distress. "U6" includes not only full time job seekers, but also half of those working part-time due to lay-offs and simailar economic reasons and half of those seeking part-time work. The "U6" rate is base on the civilian labor force minus half of the part-time labor force. "U7" includes "U6" plus discouraged workers. Significantly, the differences are greater for rural America than for the nation as a whole.

The bottom line is: if we are going to use an unemployment-related statistic to define economic distress, we should do it right. We should not use a biased criterion that ignores genuine economic distress in rural or urban areas or in one region or another. Unfortunately, even if we use an appropriate index for rural employment conditions, rural data collection has been notoriously inadequate.

On another front, recent events have shown that we must be very careful about federal statistics regarding rural incomes. Due to data coding errors, the Census Bureau vastly overstated incomes in many rural counties and small towns. When you are dealing with a small population base it takes relatively few errors to significantly affect statistical indices such as per capita income.

So, not only does per capita income mask significant poverty situations, but also the reported data is not necessarily reliable.

## Regional Economic Development Act

S. 871, the Regional Economic Development Act of 1983, has particular appeal to NADO. Although Title II of S724 is similar, we prefer S. 871 because we feel that it would avoid program disruption by leaving authority in the Department of Commerce.

However, we do have a few minor suggestions on S. 871. Section 104(b)(2) would impose a consideration which could result in a UDAG-type leverage requirement which would not work in impoverished rural areas. The shortage of private sector investment and the availability of private risk capital are principal reasons why such areas need economic development assistance such as revolving loan funds. We suggest that the ratio of private sector investments is an appropriate consideration only for projects meant to directly assist specific, identifiable firms, and its weight as a factor should be tempered by considerations such as local employment, income, and tax base impact.

Section 107(b) would impose a $1 million ceiling on grants for revolving loan funds, while section 108(b) would limit the federal share to no more than fifty per cent for a new fund and one-third for recapitalization. For the poorest rural areas the matching non-federal share will be a major problem and for larger places the ceiling will inhibit worthwhile economic development activity. We suggest a sliding scale grant rate based on economic need for funding below a ceiling beyond which funds could be provided on the basis of a reduced federal share. This could allow a poor rural area to receive $1 million at an eighty percent grant rate while allowing a major urban center to receive additional funds at a reduced grant rate such as forty percent for the first $1 million beyond the ceiling, thirty percent for the next $1 million and so on.

A sliding scale grant rate provision should apply to grants under Section 102, so as not to penalize the poorest communities,

Otherwise we generally agree with the provisions of S. 871 and support its enactment.

## The Public Investment Jobs Act of 1983

S. 724, the Public Investment/Jobs Act of 1983, is quite comprehensive in its approach and the sponsors deserve credit for proposing a relatively broad attack on needs for physical infrastructure investment and employment generation. Generally, we favor the provisions of the bill, although we would like to work with the sponsors and the members of this committee to fine tune a few points.

First, although we appreciate the attempt to acheive a certain kind of equity in the allocation formula under Title I, we believe that there is a pressing need to address relative fiscal distress, among other factors. While we see the value of paved highway mileage, as a rural-oriented factor,and population, as an urban-oriented factor, neither tells us the extent to which federal aid is required to prevent deficiencies in public capital investment by states and localities. We simply suggest that a three part formula including an index of fiscal need would be appropriate,

Second, we think that a sliding scale for the funding match requirement is needed to ensure that the poorest states can participate fully in the Title I program. A fifty percent match would be difficult for the poorest states during a recessionary period such as we are now experiencing. We suggest an upper limit on the federal share of eighty percent, based on the fiscal need factor.

We also believe that the fifty percent match for development facility projects under Title II will discriminate against the poorest communities. We suggest a sliding scale grant rate up to eighty per cent, based on local tax wealth and fiscal effort. At the same time, we think that a community should be rewarded for attracting private sector funds in place of federal grant funds for which it is eligible. In other words, a community which requests only fifty per cent funding when it is eligible for eighty per cent funding should receive special consideration for its next application for assistance.

At the other end of the scale, a community may need a no-interest or low-interest loan rather than a grant, yet may not be in line for a Title I loan from the state. Perhaps Title II should deal with such situations by also providing a loan pool at the federal level.

With regard to Title III, we are pleased to see the cross-reference to Title I and II. We would suggest only a minor change in the list of eligible public capital investments, to include "non-urban" streets, bridges and roads not included in the Federal aid system.

In Title IV we msut raise the question of whether grants to private individuals would be allowed and, if so, how to reconcile such a subsidy with other federal policies. We also must suggest that an equitable portion of the funds for the "Inner City Venture Fund" should be redirected to establish a " Rural Ventures Fund".

Although we applaud the intent of Title V, it appears that it excludes local political subdivisions from being "eligible applicants," since the term "eligible entity" has been used to mean community action agencies. It seems that local governments would have to be "project applicants," forced to apply to community action agencies for funding of community improvement projects. We find this role reversal a cause for concern, particularly since the Secretary of Health and Human Services can veto funding of any project accepted by an eligible applicant for inclusion in its proposed agreement with the federal government.

## Rebuilding of America Act of 1983

S. 23, the "Rebuilding of America Act of 1983," has a laudable objective. However, we believe that the national commission it would create and the national plan it would mandate should be accompanied by provisions for appropriate federal financial assistance to state and local governments. When S. 23 is viewed in conjunction with S. 532, the "Public Investment Incentive Act of 1983," it appears more useful to the ultimate achievement of needed public works improvements. The National Commission on the Rebuilding of America and the National Infrastructure Council could well be merged into a single body charged with conducting a national inventory of required public improvement, developing a national public improvement plan, apportioning funds for needed improvements and providing technical assistance, and reporting on state and local fiscal conditions relative to capital investment.

## State Infrastructure Bank

In our opinion, "State Infrastructure Bank" proposal in S. 532 is a noteworthy public policy innovation, differing enough from previous development bank proposals to deserve consideration on its own merits. Having reviewed the New Jersey Infrastructure Bank proposal, we believe that S. 532 and similar provisions in Title I of S. 724 makes sense if one can be assured that the states will administer this assistance with sensitivity to both rural and urban conditions. We hope that assistance to rural communities, which are more accustomed to loan programs than highly favorable grant programs, would increase and thereby facilitate the economic development of a larger number of small communities.

## Conclusion

In conclusion,we support an appropriate reconciliation of S. 871 and Title II of S.724, as well as a practicable combination of S. 23, S. 532 and Title I and III of S. 724. We suggest positive reconsideration of how Title IV and V of S. 724 relate to long-term economic development.

We appreciate the Chairman's willingness to take a careful look at the issues so that the Committee can develop federal legislation that will help meet our local needs.

**NADO**

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April 25, 1983

The Honorable Robert Stafford
Chairman
Committee on Environment and
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4204 Dirksen S.O.B.
Washington, D.C. 20510

Dear Senator Stafford:

I appreciated your inviting me to appear before the Committee on Environment and Public Works and am pleased to respond to the two additional questions you asked as follows:

1. Question: You suggest that a 50 per cent state match would be difficult. Yet many of these needs are ones that are now met by using 100 per cent non-federal dollars. Wouldn't a 50 per cent federal program be better than a 0 per cent federal program?

Answer: We suggest that a 50 per cent state match would be difficult for the poorest states in part because needs are not being met by non-federal dollars. If the needs were being met by state and/or local dollars, we would not support enactment of S. 724, S. 871, or similar federal aid legislation. A 50 per cent federal program is not better than a 0 per cent federal program for jurisdictions that cannot afford the 50 per cent match.

Annual, inflation-adjusted expenditures by state and local governments for capital facilities declined steadily throughout the 1970's, falling from almost 3 per cent of GNP to about 1.5 per cent in 1981. In virtually every state, important infrastructure projects have been delayed and maintenance has been deferred. Similarly, federal aid to state and local governments for physical projects has declined in real-dollar terms (e.g., a 20.7 per cent reduction since fiscal 1978).

In addition, as pointed out in the GAO report, "Proposed Changes in Federal Matching and Maintenance of Effort Requirements for State and Local Governments," when the non-federal match is high, e.g., 50 per cent, it screens out those state and local governments most in need of the federal program, but unable to fund the required match, and diverts federal funds away from jurisdictions most in need of program benefits. " From an equity standpoint, an unfair burden is imposed by uniform match rates that treat fiscal unequals alike. A relatively poor state

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with low per capita income must tax its residents more heavily.

Another point is that the non-federal match per se is generally not the only non-federal cost of participation in a federal grant program. Federal requirements usually increase project costs and impose overhead costs beyond the levels superficially indicated by the matching percentage.

It appears that even for affluent jurisdictions a 25 per cent state/local match represents a threshold for impact on state/local decisionmaking and that other factors can be more important than a matching requirement in ensuring intense management oversight by state/local governments (e.g., maximum discretion in setting programs priorities and political controversy over program-related needs).

A new report by the Department of the Treasury has confirmed what rural citizens have been saying, namely, that rural states have lost more in financial assistance than urban states. "Federal Aid to the States: Fiscal Year 1982," prepared by the Division of Government Accounts and Reports, Bureau of Government Financial Operations, Fiscal Service, U.S. Department of the Treasury, reveals that nine of the ten biggest losers of federal dollars since 1980 have been rural states:

| | | | |
|---|---|---|---|
| South Dakota | 27% Loss | North Dakota | 13% Loss |
| Vermont | 24% Loss | Hawaii | 12% Loss |
| Montana | 22% Loss | Idaho | 11% Loss |
| West Virginia | 19% Loss | Arkansas | 10% Loss |
| Kansas | 14% Loss | Iowa | 10% Loss |

2. Question: What is your view of the need and value of an assured funding mechanism --- possibly through a form of dedicated revenues --- for the S. 724 programs?

Answer: If there is such a thing as a politically feasible assured funding mechanism, it would be highly desirable. However, experience has shown that dedicated revenue and trust fund mechanisms are neither inviolable nor infallible, and the current competition for resources may preclude dedication of a sufficient revenue source. So, we have not actively pursued such an approach.

If a source with an equitable cost incidence was projected to be sufficient, we could be persuaded to support its dedication, although we currently have no policy dealing with the idea.

Please contact me if you need additional information. We would appreciate the opportunity for NADO staff to work with your staff to refine the various legislative proposals to develop programs that will best serve Vermont and other rural areas.

Sincerely yours,

Chris Page

Chris Page
First Vice-President

CP/rlp

# THE REVOLVING LOAN FUND:

## A Resource for Rural Development and Finance

Submitted by the
Economic Development Fund of Northern Vermont, Inc.
St. Albans, Vermont

April 11, 1983

## Introduction

Throughout rural America, the expansion of local and regional economies has been impeded by the inaccessibility of capital markets. In its survey of regional capital markets, the First National Bank of Boston has cited the lack of short and intermediate term financing as one of the most significant obstacles to business development in rural areas.* Northern Vermont is similar to many of this country's rural areas, and its capital resource problems are symptomatic of those experienced in the rural sections of Maine and Idaho, Minnesota and Texas.

The six counties of northern Vermont (population 105,000) are served by twelve local banks and by branches of five major state-wide lenders. The average assets of the local institutions total $23 million with an average lending limit of one percent or $230,000. While the state-wide banks are considerably higher, restrictions are imposed on their local decision-making and loan authorities. These factors, combined with traditionally conservative banking practices, hamper efforts to overcome economic stagnation. Such limited resources force rural areas to seek financing outside the region, even to compete for funds in the major financial centers.

## The Revolving Fund Concept

To alleviate the financial market imperfections in rural northern Vermont, the region's economic development district (EDD) established a locally controlled revolving loan fund (RLF). With $500,000 in capitalization from the U.S. Department of Commerce, Economic Development Administration (EDA), the Economic Development Fund of Northern Vermont, Inc. (d.b.a. THE FUND) was created in mid-1980. THE FUND was designed to "round-out" the equity portion of a wide range of business loans and to supplement available local capital. With a loan committee of seven representing commerce, industry and finance, THE FUND established four key goals:

1. Increase the number and quality of job opportunities.
2. Reduce the incidence of seasonal employment
3. Develop the means for increasing family incomes
4. Establish opportunities for upgrading labor force skills.

In the three years since its inception, THE FUND has made signficant progress toward achieving these goals. Its portfolio of loans represents a cross-section of the area economy and includes both private sector borrowers and local development corporations. THE FUND finances up to 20% of the project costs with a maximum lending limit of $100,000. Applicants must certify that adequate financing is unavailable through normal channels on terms that would accomplish the project. Loans are made only after a thorough review that indicates the project is a sound business venture, financially and economically feasible. Potential clients receive guidance and information from the RLF staff and often are referred to local professionals for specific expertise. The result is a carefully planned and timed investment which achieve the maximum benefit for both the investor and the RLF service area. THE FUND is not a substitute for other available financing; rather, it should be seen as the "glue" that that binds together participants in otherwise difficult financing packages. It is a leveraging tool capable of expanding rural capital markets.

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*An Empirical Analysis of Capital Markets in Five U.S. Regions, First National Bank of Boston, Boston Massachusetts

**Investment Impact**

The effect of THE FUND's investment in northern Vermont has been repeated in regions throughout rural America where EDA has helped establish revolving loan funds. The impact documented here by THE FUND just as easily could be repeated in scores of rural areas that currently lack access to capital markets.

INVESTMENT DATA
June 1980 through March 1983

| | |
|---|---|
| Total FUND Financing | 780,820 |
| Total Other Financing | 5,469,628 |
| Total FUND Equity Invest. | 30,000 |
| Total Other Equity | 170,000 |
| | |
| All FUND Investments | 810,820 |
| All Other Investments | 5,639,628 |

Effective leveraging of nearly $7 in private investment for each FUND dollar.

| | |
|---|---|
| Total Documented Job Creation: | 327 full-time |
| Total Documented Job Retention: | 330 full-time |

RLF Cost Per Job: $1,188
Total Cost Per Job: $9,514

Average Job Wage: $5.34/hr.
or 143.6% of Minimum Wage

FUND investments in start-up operations have accounted for 13% of its loaned dollars; these new companies (all locally owned) have produced 97 jobs in the past two years. The remaining 87% has been invested in existing companies and development corporations; all are locally-owned and controlled. The needs of these businesses vary significantly, but nearly one-half (45%) of the FUND's investments were used for working capital purposes. Historically, working capital is the most difficult form of financing to obtain in rural credit markets: the FUND's entrance into this field has had a positive impact on the financial community's willingness to participate in development loan packages. The average term of a working capital loan is 5.4 years with an average rate of 9.06%. For FUND borrowers, whose average assets total $650,000, this resource is a critical factor in their continued viability and potential for expansion.

THE FUND's portfolio of loans and equity investments exhibits a commitment to strengthening regional industries. Its borrowers represent an increasingly diversified economic base of appropriate scale. The investments are spread throughout the six county service area with a concentration in four recognized centers of employment and commerce. Most borrowers utilize skills already available in the labor force, but 49% offer skills training programs. Twenty-eight perent of the FUND's investments have been made in companies that use indigenous raw materials in the manufacturing of exportable products. This value-added factor is extremely important in providing a rural area with maximum employment impact in exchange for its natural resources. FUND investments can be found in companies manufacturing a wide variety of products including: wood stoves, fencing, fiberglass cloth, minerals, dimension lumber, cosmetics, industrial bellows, air- and space-craft toolings, armaments parts, garden carts and pallets. Average time from application to approval is 17.75 days.

### Response to Need

THE FUND (and revolving loan funds in general) is effective in its ability to respond to the business community's needs in a timely fashion with assistance tailored to individual problems and opportunities. The four examples below demonstrate this response capacity.

#### EXISTING = EXPANSION

An Orleans County cosmetics manufacturer, seeking to expand its operation through investment in new equipment and enlarged facilities, approached THE FUND in early 1981. The firm had obtained sufficient financing from area lending institutions for only 80% of its proposed project costs. With a nine year history of providing stable manufacturing employment, the company faced potential stagnation within its market unless new production facilities were constructed. Recognizing the social and financial value of the company's proposal, the FUND approved the remaining financing; within 20 days of submitting the application, the company received its loan approval and within sixty days construction was under way. The investment has resulted in a 40% increase in production and a permanent work force of 45.

## EXISTING = RESCUE

In order to hold its competitive edge and market share, a specialty wood products company in northern Vermont expanded its facilities in 1981. The expansion depleted much of the firm's working capital leaving it unable to increase its raw lumber inventories and meet production demands. By linking the resources of THE FUND with an SBA-guaranteed restructuring of debt, the company was able to pull itself from the brink of disaster. THE FUND supplied a badly needed working capital injection to compliment locally obtained fixed asset financing. Within thirty days, the financial package was analyzed, approved and closed, enabling the company to continue its operation with only minimal down-time. The carefully structured package helped the firm retain its employees, support its independent loggers, and meet the market demand for its product. Within two months of the approval the firm's orders were 10% ahead of the previous year.

## START-UP = OPPORTUNITY

After several years working with northern Vermont machine tool operations, two local entrepreneurs formed their own company specializing in contract machining. With seed capital from their personal assets, the two opened a small shop in a vacant industrial building. Using this equity investment as leverage, the firm designed a proposal for equipment purchases that would enable them to establish a permanent employee base and to compete for public and private machining contracts. By combining the resources of the local development corporation, two private financial institutions and THE FUND, the company was able to structure a phased program of investment. In the two years that followed, the company has moved into its own industrial park location, and the two-man shop now employs over 35 full time.It recently has begun planning for a related-function business which is expected to employ an additional thirty people. This start-up has been highly successful due, in large part, to the phased investment employed by the public/private partnership.

## EQUITY = STIMULUS

When one of Northern Vermont's commercial centers was unable to attract new private investment to its downtown area, the local development corporation requested FUND assistance. A vacant commercial building in the heart of the downtown was a major cause of concern and had been identified as a reason for the area's decline. Forming a downtown development corporation of two financial institutions and three non-profits, THE FUND provided 20% of the needed equity investment to purchase and rehabilitate the building. With renovations scheduled to begin in thirty days, the project already has attracted the interest of two light manufacturing concerns and three retailers. The potential employment level of the facility is 60-70.

April 12, 1983

STATEMENT OF D. KENNETH PATTON
SENIOR VICE PRESIDENT, HELMSLEY-SPEAR, INC.
AND MEMBER OF THE BOARD OF DIRECTORS AND
AND FORMER PRESIDENT OF THE
NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT

BEFORE THE SENATE COMMITTEE ON ENVIRONMENT
AND PUBLIC WORKS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

IT IS MY DISTINCT PLEASURE TO BE HERE TODAY TO DISCUSS THE TYPES OF FEDERAL ECONOMIC DEVELOPMENT ASSISTANCE WHICH COULD BE MOST EFFECTIVE IN IMPROVING LOCAL ECONOMIC INFRASTRUCTURE TO STIMULATE PRIVATE INVESTMENT, EMPLOYMENT, AND PRODUCTIVITY IN URBAN AND RURAL AREAS. MY COMMENTS TODAY ARE PROVIDED ON BEHALF OF THE NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT (CUED) AND ITS MORE THAN 1200 PUBLIC AND PRIVATE DEVELOPMENT PRACTITIONERS WHO ARE DEVISING AND IMPLEMENTING INVESTMENT STRATEGIES IN OVER 400 CITIES AROUND THE COUNTRY. WE ARE PLEASED THAT THIS COMMITTEE HAS UNDERTAKEN A REVIEW OF ALTERNATIVE ROLES THE FEDERAL GOVERNMENT MIGHT PLAY IN LOCAL ECONOMIC DEVELOPMENT.

THIS HEARING IS CONSIDERING FOUR BILLS, EACH OF WHICH ADDRESSES DIFFERENT ASPECTS OF ECONOMIC DEVELOPMENT.

- S.23, THE "REHABILITATION OF AMERICA ACT," IS ESSENTIALLY A CAPITAL PLANNING TOOL;
- S.724, THE "PUBLIC INVESTMENT/JOBS ACT," WHOSE FIVE TITLES AUTHORIZE A WIDE RANGE OF DEVELOPMENT ASSISTANCE INCLUDING NEW PUBLIC WORKS PROGRAMS, STATE INFRASTRUCTURE BANKS, STANDBY COUNTERCYCLICAL ASSISTANCE, HISTORIC REHABILITATION, AND YOUTH EMPLOYMENT.

- S.532, THE "PUBLIC INVESTMENT INCENTIVE ACT," WOULD CAPITALIZE STATE INFRASTRUCTURE BANKS;

- S.871, THE "REGIONAL ECONOMIC DEVELOPMENT ACT," WOULD REAUTHORIZE MANY CURRENT FEDERAL ECONOMIC DEVELOPMENT ACTIVITIES, BUT IN A MORE TARGETED AND FLEXIBLE WAY.

THE PRIMARY FOCUS OF THESE FOUR BILLS IS INFRASTRUCTURE. THERE IS NO DOUBT THAT AN ADEQUATE CAPITAL PLANT IS NECESSARY FOR ECONOMIC GROWTH AND REVITALIZATION, BUT IT IS NOT THE ONLY REQUIREMENT. THEREFORE, BEFORE ADDRESSING EACH OF THESE BILLS, IT IS NECESSARY TO SET THE FRAMEWORK ON HOW THE ASSISTANCE PROPOSED IN THEM CAN BE MOST EFFECTIVE. THIS CAN BEST BE DONE BY DESCRIBING THE ECONOMIC DEVELOPMENT PROCESS.

ECONOMIC CHANGE AND ITS CONCOMITANT PROBLEMS STEM PRIMARILY FROM FUNDAMENTAL SOCIAL, TECHNOLOGICAL, AND FINANCIAL CHANGES WHICH ARE CHARACTERIZED BY OBSOLETE OR DECLINING INFRASTRUCTURE CAPACITY, POPULATION SHIFTS FROM ONE AREA OR REGION TO ANOTHER, MAJOR PLANT CLOSINGS IN BASIC INDUSTRIES, AND DISINVESTMENT AND CAPITAL SHORTAGES.

COPING WITH ECONOMIC CHANGE IS THE MOST CRITICAL PROBLEM FACING MANY COMMUNITIES--ADJUSTING FROM AN EXISTING, OFTEN OUTMODED ECONOMIC BASE TO A NEW, PRODUCTIVE ONE WHICH HAS THE PHYSICAL, ORGANIZATIONAL, AND FINANCIAL ABILITY TO SUSTAIN ECONOMIC GROWTH.

THIS ADJUSTMENT FROM ONE SET OF ECONOMIC ACTIVITIES TO ANOTHER IS ECONOMIC DEVELOPMENT. IT IS NOT, AS SOME HAVE ARGUED, A ZERO-SUM GAME OF USING PUBLIC DOLLARS TO ATTRACT EXISTING BUSINESSES WITH THEIR INVESTMENT AND JOBS FROM ONE AREA TO ANOTHER. LONG AGO, WE LEARNED THAT SUCH "SMOKESTACK CHASING" WAS NOT COST-EFFECTIVE AND IN

SOME INSTANCES, WAS ACTUALLY COUNTERPRODUCTIVE. WHAT ARE NEEDED, AND WHAT FEDERAL ASSISTANCE CAN ENCOURAGE, ARE NEW JOBS, NEW INVESTMENT, AND NEW BUSINESSES TO REVITALIZE DEPRESSED AREAS.

FOR ECONOMIC DEVELOPMENT TO OCCUR, WHETHER IT BE A SINGLE COMMERCIAL PROJECT, AN INDUSTRIAL PARK, OR AN ENTIRE CITY OR REGION, THE "ENVIRONMENT" MUST BE CONDUCIVE TO INVESTMENT. THE COMPONENTS OF THIS ENVIRONMENT-EACH OF WHICH MUST BE PRESENT FOR DEVELOPMENT TO TAKE PLACE-INCLUDE:

1. AVAILABILITY OF DEVELOPABLE LAND OR SPACE AT A COMPETITIVE PRICE.
2. INFRASTRUCTURE AND OTHER SUPPORTIVE SERVICES.
3. AFFORDABLE CAPITAL.
4. TAX CLIMATE CONDUCIVE TO INVESTMENT.
5. SUITABLY TRAINED WORKFORCE.
6. PUBLIC SECTOR CAPACITY TO ASSIST DEVELOPMENT.

AREAS FACING ECONOMIC DECLINE ARE LACKING AT LEAST ONE OF THESE INVESTMENT PREREQUISITES. ALTHOUGH THE LOCAL PUBLIC AND PRIVATE SECTORS CAN, IN MOST INSTANCES, PROVIDE THE MISSING INGREDIENT, A MAJOR ECONOMIC DISLOCATION SUCH AS THE COLLAPSE OF ESSENTIAL INFRASTRUCTURE OR LOSS OF A MAJOR EMPLOYER CAN EXHAUST A LOCALITY'S RESOURCES. THERE IS A CRITICAL NEED TO ASSIST COMMUNITIES SUFFERING MAJOR DISRUPTIONS IN THEIR EMPLOYMENT AND INVESTMENT BASES TO REACH A NEW STATE OF SELF SUFFICIENCY. WITH ASSISTANCE THAT IS FLEXIBLE ENOUGH TO PERMIT EACH DISTRESSED AREA TO ADDRESS ITS OWN UNIQUE ECONOMIC PROBLEMS, IT CAN IMPROVE ITS LOCAL ENVIRONMENT FOR INVESTMENT, SUPPORT NEW AND MORE PRODUCTIVE BUSINESS ACTIVITY, AND HAVE A SUFFICIENTLY SOLID ECONOMIC BASE TO RESPOND TO FUTURE ADJUSTMENTS.

THIS IS THE MOST EFFECTIVE AND APPROPRIATE FEDERAL ROLE IN LOCAL ECONOMIC DEVELOPMENT.

HAVING DEFINED ECONOMIC DEVELOPMENT, WE WILL NOW ADDRESS THE BILLS BEFORE THE COMMITTEE. FOR PURPOSES OF ORGANIZATION, THE STATEMENT WILL BE DIVIDED INTO TWO SEGMENTS, WITH THE FIRST FOCUSING ON THE INFRASTRUCTURE COMPONENTS, AND THE SECOND ON OTHER ELEMENTS SUCH AS CAPITAL WHICH ARE IMPORTANT TO ECONOMIC REVITALIZATION.

## INFRASTRUCTURE.

THE THREE BILLS WHICH AUTHORIZE NEW ASSISTANCE PROGRAMS ALL PROVIDE FUNDING TO IMPROVE INFRASTRUCTURE.

TITLE I OF S.724 AND S.532 CAPITALIZE STATE INFRASTRUCTURE BANKS WHICH WOULD IN TURN USE THE FUNDS AS EQUITY CAPITAL TO MAKE LOANS TO LOCAL GOVERNMENTS FOR PUBLIC ASSISTANCE PROJECTS. THEY INTRODUCE AT THE NATIONAL LEVEL AN IMPORTANT CONCEPT IN PROVIDING FEDERAL CAPITAL ASSISTANCE. THEIR FLEXIBILITY IN DISTRIBUTING FUNDS WILL PERMIT STATES AND LOCALITIES TO USE THE FUNDS IN A VARIETY OF WAYS TO MEET LOCAL INFRASTRUCTURE NEEDS WHICH SURFACE AS PART OF THE ECONOMIC ADJUSTMENT PROCESS. LIMITING THE FEDERAL CONTRIBUTION OR REQUIRING A STATE MATCH WILL HOPEFULLY LEAD TO INCREASED LEVERAGING OF OTHER PUBLIC AND PRIVATE RESOURCES AND MORE CAREFULLY DESIGNED PROJECTS.

CUED HAS SEVERAL SUGGESTIONS APPLICABLE TO THE INFRASTRUCTURE BANK PROPOSALS OF BOTH BILLS:

- THE STIPULATION THAT THE PUBLIC FACILITY ITSELF MUST GENERATE ENOUGH REVENUES TO REPAY THE LOAN IS RESTRICTIVE; WATER AND SEWER PROJECTS, FOR INSTANCE, MAY BE CRITICALLY NEEDED IN REMOTE RURAL AREAS OR AN URBAN INDUSTRIAL PARK, YET MAY NOT INITIALLY GENERATE SUFFICIENT RESOURCES TO REDEEM THE DEBT IN A TWENTY YEAR PERIOD.

SIMILARLY, IF LOAN APPLICANTS DETERMINE THAT THE LEVYING OF USER FEES AT THE RATE NECESSARY TO RETIRE THE LOAN WILL CAUSE HARDSHIP TO POTENTIAL BENEFICIARIES, OR BLUNT THE OVERALL ECONOMIC DEVELOPMENT POTENTIAL OF A PROJECT, THEY SHOULD BE ALLOWED TO PLEDGE OTHER RESOURCES--EITHER FEDERAL, SUCH AS CDBG ALLOCATIONS, OR LOCALLY GENERATED FUNDS--TO COVER THE SCHEDULED REPAYMENTS.

- A PROVISION SHOULD BE ADDED WHICH STIPULATES THAT REPAYMENT OF USER FEES GENERATED BY INFRASTRUCTURE PROVIDED UNDER THE LEGISLATION WOULD BE MADE ONLY AFTER BASIC MAINTENANCE AND REPAIR ACTIVITIES HAD BEEN FUNDED.

- A PROVISION SHOULD BE ADDED TO REQUIRE THAT THE FUNDS BE MADE AVAILABLE AS EXPEDITIOUSLY AS POSSIBLE. THE BANKS SHOULD BE GIVEN THE AUTHORITY TO OPERATE INITIALLY AT A DEFICIT IN ORDER TO GET PROJECTS UNDERWAY.

- S. 724 APPEARS TO LIMIT LENDING AUTHORITY TO DIRECT LOANS. GIVEN THE NEED FOR INFRASTRUCTURE IMPROVEMENTS, IT MIGHT BE WISE TO ALLOW THE BANK TO GUARANTEE BONDS OR NOTES ISSUED BY STATES OR LOCALITIES FOR INFRASTRUCTURE PURPOSES. THIS COULD IMPROVE THE MARKETABILITY OF THE INSTRUMENTS, ESPECIALLY IN COMMUNITIES WITH POOR BOND RATINGS BUT PRESSING INFRASTRUCTURE NEEDS, AS WELL AS EXPAND THE BANK'S LENDING CAPACITY.

IN ADDITION, STATES SHOULD BE ENCOURAGED TO OPERATE UNDER THE PREVAILING SPIRIT OF FLEXIBILITY, AND NOT ADOPT RESTRICTIVE REGULATIONS ON ELIGIBLE PROJECTS, APPLICANTS, OR REQUIREMENTS IN FUND DISTRIBUTION.

S. 871 WOULD PROVIDE IN TITLE I, FEDERAL ASSISTANCE TO QUALIFIED APPLICANTS TO HELP BUILD, REHABILITATE, AND REPAIR PUBLIC

INFRASTRUCTURE. THE EMPHASIS OF THIS LEGISLATION'S INFRASTRUCTURE ASSISTANCE IS MORE PROJECT-ORIENTED THAN THE OTHER BILLS SINCE IT IS MORE DIRECTLY RELATED TO SPECIFIC PRIVATE INVESTMENTS.

S. 23, WHICH ESTABLISHES A NATIONAL INFRASTRUCTURE PLANNING MECHANISM, DOES NOT AUTHORIZE ANY DIRECT ASSISTANCE, BUT ITS CAPITAL PLANNING FOCUS SHOULD BE INCLUDED IN ANY FINAL LEGISLATION.

## OTHER ECONOMIC DEVELOPMENT ACTIVITIES

PROVIDING INFRASTRUCTURE ASSISTANCE TO COMMUNITIES IS IMPORTANT, SINCE SHORING UP THE LOCAL CAPITAL PLANT IS OFTEN ONE OF THE MOST DIFFICULT AND COSTLY ACTIVITIES A COMMUNITY CAN UNDERTAKE. YET INFRASTRUCTURE ALONE WILL NOT BRING ABOUT ECONOMIC REVITALIZATION, STIMULATE PRIVATE INVESTMENT OR CREATE JOBS. THE OTHER CONDITIONS ESSENTIAL FOR ECONOMIC DEVELOPMENT TO OCCUR MUST ALSO BE PRESENT. THE FOUR BILLS UNDER CONSIDERATION IN THIS HEARING CONTAIN A VARIETY OF PROVISIONS WHICH CAN EXPAND THE OVERALL ECONOMIC DEVELOPMENT POTENTIAL OF THE INFRASTRUCTURE ASSISTANCE.

THE MOST COMPREHENSIVE OF THE FOUR BILLS IN S. 871. IN ADDITION TO STRENGTHENING LOCAL INFRASTRUCTURE CAPACITY, IT WOULD:

- FACILITATE LOCAL AND REGIONAL ECONOMIC ADJUSTMENT AND DIVERSIFICATION TO ACHIEVE ECONOMIC SELF-SUFFICIENCY.
- ESTABLISH A FRAMEWORK FOR THE COORDINATION OF PUBLIC AND PRIVATE RESOURCES, LINKING PUBLIC AND PRIVATE FUNDS TO LEVERAGE THE MAXIMUM INVESTMENT, AND CREATING A STRONG INVESTMENT CLIMATE THAT PROMOTES JOB EXPANSION AND RETENTION AND REMOVES BARRIERS THAT IMPEDE MARKET FORCES.
- HELP RELIEVE CAPITAL SHORTAGES AND FILL LOCAL CREDIT GAPS.

THIS WOULD BE ACCOMPLISHED THROUGH TWO PROVISIONS, BOTH OF WHICH ARE CRITICAL TO A COMPREHENSIVE REVITALIZATION STRATEGY:

RLFS. THE FIRST PERMITS CAPITALIZATION OF LOCALLY CONTROLLED REVOLVING LOAN FUNDS (RLFS) THAT PROMOTE THE ESTABLISHMENT AND GROWTH OF SMALL BUSINESSES AND RETAIN EXISTING FIRMS. CITIES MAY CAPITALIZE AN RLF WITH UP TO $1 MILLION IN FUNDS AVAILABLE UNDER S. 871 AND MUST MATCH THE FEDERAL AID DOLLAR-FOR-DOLLAR WITH FUNDS FROM OTHER SOURCES. WHEN A LOCALITY RECAPITALIZES SUCH A FUND, THE FEDERAL GOVERNMENT WOULD PUT IN ONE DOLLAR FOR EVERY TWO GARNERED FROM OTHER SOURCES.

CUED STRONGLY SUPPORTS THE RLF CONCEPT, BUT SUGGESTS THAT THE PROPOSAL OUTLINED IN S. 871 BE MODIFIED TO ELIMINATE THE $1 MILLION CAP. SPECIFIED LIMITATIONS ON ASSISTANCE COULD BE NEEDLESSLY RESTRICTIVE FOR LARGE AND SMALL COMMUNITIES PURSUING MAJOR INVESTMENT OPPORTUNITIES OR SUFFERING FROM SEVERE ECONOMIC DISLOCATIONS. THE REQUIRED MATCH AND DEVELOPMENT INVESTMENT STRATEGY SHOULD BE SUFFICIENT TO INSURE CAREFUL USE OF THE FEDERAL FUNDS.

LOCAL CAPACITY BUILDING. THE SECOND PROVISION IS TITLE II, WHICH PROVIDES FUNDS TO STATES, DISTRICTS, AND LOCALITIES FOR THE DEVELOPMENT OF INVESTMENT STRATEGIES. S. 871 REQUIRES EACH APPLICANT TO PREPARE AND SUBMIT AN INVESTMENT STRATEGY. ESSENTIALLY, THIS IS A REALISTIC, STEP-BY-STEP COURSE TOWARD ECONOMIC SELF-SUFFICIENCY THAT INVOLVES ALL LEVELS OF GOVERNMENT AND THE PRIVATE SECTOR WHICH:

- INVENTORIES ALL ITS RESOURCES, INCLUDING THOSE FROM THE PRIVATE SECTOR;
- IDENTIFIES PAST, PRESENT, AND FUTURE ECONOMIC DEVELOPMENT INVESTMENTS AND LINKS THESE INVESTMENTS IN A COHERENT FRAMEWORK IN WHICH TO FIT FUTURE INVESTMENTS;

- ESTABLISHES A TIMETABLE FOR THESE INVESTMENTS.

S. 724 ALSO INCLUDES ASSISTANCE TO LOCALITIES IN DEVISING AND COORDINATING STRATEGIES TO MAXIMIZE PRIVATE INVESTMENT. THIS LOCAL CAPACITY IS CRITICAL TO LEVERAGING THE MOST PRIVATE INVESTMENT WITH THE FEWEST PUBLIC DOLLARS. IT IS ALSO ESSENTIAL TO THE DEVELOPMENT AND IMPLEMENTATION OF INFRASTRUCTURE INVESTMENTS. IN RECENT DISCUSSIONS OF PUBLIC WORKS AND INFRASTRUCTURE BILLS, LITTLE ATTENTION HAS BEEN GIVEN TO THE LOCAL CAPACITY TO USE THESE ADDITIONAL FUNDS TO PROVIDE THE FOUNDATION FOR LONG TERM ECONOMIC RECOVERY. STUDIES OF PAST EFFORTS AND EVALUATIONS OF LOCAL INFRASTRUCTURE PROGRAMS REPEATEDLY DEMONSTRATE THAT LOCAL MANAGEMENT IS THE KEY FACTOR IN A SUCCESSFUL INFRASTRUCTURE OR DEVELOPMENT PROGRAM. THE ASSISTANCE AND REQUIREMENTS PROVIDED IN TITLE II OF S. 871 COULD ENHANCE THE LOCAL ABILITY TO USE EFFECTIVELY NOT ONLY THE NEW FUNDING BEING CONSIDERED BUT ALSO TO COORDINATE INFRASTRUCTURE, BUSINESS ASSISTANCE, AND JOB TRAINING RESOURCES IN SUCH A WAY AS TO PROMOTE LONG TERM PRIVATE INVESTMENT AND EMPLOYMENT IN OUR URBAN AND RURAL AREAS.

PLANNING. THESE LOCAL PLANNING EFFORTS WILL YIELD SOLID INFORMATION ON LOCAL CAPACITY, ESPECIALLY THAT WHICH FURTHERS THE ECONOMIC INFRASTRUCTURE NECESSARY FOR PRIVATE INVESTMENT TO OCCUR. THIS INFORMATION, IN TURN, CAN FEED INTO THE NATIONAL INFRASTRUCTURE AND CAPITAL INVESTMENT PLANS CALLED FOR IN S. 23. AS DESCRIBED, THESE PLANS WOULD INCLUDE COMPARISONS OF FACILITIES AND THE PATTERNS OF ECONOMIC DEVELOPMENT OVER THE PAST TWENTY YEARS. SUCH A COMPREHENSIVE APPROACH WOULD ENSURE THAT FEDERAL RESOURCES ARE ALLOCATED PROPERLY TO MAJOR PUBLIC WORKS PROJECTS SUCH AS BRIDGES AND PORTS AS WELL AS MORE LOCAL PROJECTS SUCH AS SEWER AND WATER SYSTEM REPAIR.

HOWEVER, THE APPROACH OUTLINED IN S. 23 IS MORE OF A TOP-DOWN PROCEDURE; INCLUDING THE ACTIVITIES CALLED FOR IN S. 724 AND S. 871 WOULD MAKE THE PLANNING EFFORT MORE COMPLETE IN THAT SPECIFIC INFORMATION ON THE CONDITION OF LOCAL INFRASTRUCTURE AND ITS RELATIONSHIP TO PRIVATE INVESTMENT WOULD BE OBTAINED.

## FEDERAL DELIVERY MECHANISM

BECAUSE OF THE CRITICAL RELATIONSHIP OF INFRASTRUCTURE TO OTHER ECONOMIC DEVELOPMENT ACTIVITIES AND, MOST IMPORTANTLY, TO PRIVATE INVESTMENT, THE AGENCY OVERSEEING THE INFRASTRUCTURE PROPOSALS SHOULD HAVE AN EXPERTISE IN ECONOMIC DEVELOPMENT. INFRASTRUCTURE, LIKE CAPITAL, LABOR, AND LOCAL CAPACITY, IS A PREREQUISITE OF PRIVATE INVESTMENT. FEDERAL INFRASTRUCTURE ASSISTANCE SHOULD BE ADMINISTERED BY AN AGENCY WHICH CAN PROVIDE AND COORDINATE OTHER DEVELOPMENT INCENTIVES IN ORDER TO MAXIMIZE THE IMPACT OF THE INFRASTRUCTURE ASSISTANCE IN PROMOTING PRIVATE INVESTMENT AND, WHEN NECESSARY, TO PROVIDE THE OTHER MISSING INGREDIENTS--BE IT A LOCAL REVOLVING LOAN FUND OR LAND--TO MAKE THE INVESTMENT HAPPEN. BY ASSIGNING RESPONSIBILITY TO ONE FEDERAL AGENCY, A MORE CAREFUL ALLOCATION OF RESOURCES CAN OCCUR AND, FOR THE FIRST TIME, A NATIONAL PUBLIC POLICY FOR PROMOTING PRIVATE INVESTMENT, PARTICULARLY IN DISTRESSED COMMUNITIES, CAN EMERGE. THE DEPARTMENT OF COMMERCE--WHICH HAS BEEN ADMINISTERING PUBLIC WORKS, BUSINESS ASSISTANCE, AND ECONOMIC ADJUSTMENT PROGRAMS FOR MORE THAN 15 YEARS AND WHICH HAS RESPONSIBILITY FOR EXPORTS, TECHNOLOGY, AND DEVELOPMENT DATA--WOULD BE BEST SUITED FOR PROGRAM DELIVERY.

## ECONOMIC ADJUSTMENT

AS WE STATED EARLIER, MANY URBAN AND RURAL AREAS ARE UNDERGOING SERIOUS ECONOMIC ADJUSTMENTS RESULTING FROM GLOBAL AND NATIONAL CHANGES IN TECHNOLOGY, MARKETS, AND CAPITAL BUT HAVING NEGATIVE REPERCUSSIONS--HIGH UNEMPLOYMENT AND DISINVESTMENT--IN PARTICULAR REGIONS AND COMMUNITIES AROUND THE COUNTRY. TO ASSIST THESE COMMUNITIES TO ADJUST TO NEW, MORE PRODUCTIVE ECONOMIC ACTIVITIES REQUIRES SHORT-TERM INFUSIONS OF ASSISTANCE. WE ARE PLEASED THAT TWO OF THE BILLS--S. 724 AND 871--RECOGNIZE THE ADJUSTMENT PROCESS OCCURRING IN MANY CITIES. S.871 PERMITS CITIES WHICH ARE EXPERIENCING--OR ABOUT TO EXPERIENCE--A MAJOR DISLOCATION TO APPLY FOR ASSISTANCE IN ORDER TO TAKE REMEDIAL ACTION. S. 724'S STANDBY COUNTERCYCLICAL PROGRAM COULD ALSO BE HELPFUL IN ECONOMIC ADJUSTMENT SITUATIONS. HOWEVER, WE BELIEVE A LOCAL RATHER THAN A NATIONAL TRIGGER FOR THE ASSISTANCE IS NEEDED IN RECOGNITION OF THE VASTNESS OF OUR NATIONAL ECONOMY AND THE UNEVEN IMPACTS OF CERTAIN ECONOMIC DOWNTURNS. FURTHERMORE, IN ORDER TO INCREASE THE EFFECTIVENESS OF SUCH COUNTERCYCLICAL ASSISTANCE, THE ELIGIBILITY CRITERIA FOR THE TYPES OF ASSISTANCE PROVIDED UNDER S. 871 AND S. 724 SHOULD BE THE SAME.

THE BILLS CURRENTLY BEING CONSIDERED BY THIS COMMITTEE ARE AN IMPORTANT FIRST STEP IN IMPROVING THE FEDERAL GOVERNMENT'S ROLE IN ASSISTING COMMUNITIES EXPERIENCING THE JOLTS OF UNEMPLOYMENT AND DISINVESTMENT DUE TO SHIFTS IN OUR NATIONAL ECONOMY. WE BELIEVE THE EMPHASIS, DESIGN, AND ASSISTANCE PROVIDED IN S. 871 SHOULD BE THE FOUNDATION FOR PROVIDING ASSISTANCE TO LOCALITIES IN FACILITATING PRIVATE INVESTMENT AND EMPLOYMENT. IT CAN BE THE LINCHPIN FOR COORDINATING THE INFRASTRUCTURE, JOB TRAINING, AND RELATED DEVELOPMENT ACTIVITIES EMBODIED IN THE OTHER THREE BILLS AS WELL AS PRIVATE

AND OTHER PUBLIC RESOURCES IN ORDER TO ESTABLISH SOUND, SELF-SUSTAINING LOCAL ECONOMIES.

ON BEHALF OF CUED, I WOULD LIKE TO EXPRESS OUR APPRECIATION FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY AND FOR YOUR EFFORTS TO SHAPE A FEDERAL PROGRAM WHICH RECOGNIZES THE ECONOMIC REALITIES OF OUR NATION'S COMMUNITIES.

THANK YOU.

**national association of regional councils**

1700 K St., N.W., Washington, D.C. 20006 • Area Code (202) 457-0710

RICHARD C. HARTMAN, Executive Director

STATEMENT OF

RICHARD C. HARTMAN

Executive Director of The National Association of Regional Councils

ON BEHALF OF THE
NATIONAL ASSOCIATION OF REGIONAL COUNCILS
BEFORE THE

SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

ON

NATIONAL INFRASTRUCTURE INITIATIVES

April 12, 1983
Washington, D.C.

Mr. Chairman, I am Richard C. Hartman, Executive Director of the National Association of Regional Councils.

The National Association of Regional Councils represents about half of the nation's 600 substate regional councils of local governments. In the main, regional councils are agencies of local governments and operate under the direction of city and county elected officials. They fill a gap in our intergovernmental structure by dealing with problems that transcend jurisdictional boundaries and must be addressed on a regional basis. The basic responsibility of a regional council is to be an umbrella agency which facilitates regional coordination and management activities. Many regional councils also arrange for the implementation of regional policies.

Mr. Chairman, as you know, many regional councils have been designated as economic development districts and function as metropolitan planning organizations designing programs and priorities for the investment of federally assisted highway and transit project funds.

As you can see, Mr. Chairman, these and other coordination responsibilities put regional councils squarely in the middle of the infrastructure debate. As agencies working to help local governments meet their development priorities, regional councils are out front identifying the infrastructure needs of local communities.

It is clear that this panel knows all too well the state of the nation's public facilities. The bills before the committee today illustrate that you have begun a much needed examination of steps the federal government can take to meet these pressing needs.

## Need For A National Economic Development Program

NARC continues to support a national policy to facilitate economic development. An initial and necessary first step was the enactment of the Public Works and Economic Development Act. This has been a generally successful approach and should be a cornerstone of any new, broader national public facilities rebuilding effort.

This is not to say, Mr. Chairman, that the EDA program created by PWEDA could not be improved. NARC believes it can be strengthened and made more effective.

Therefore, we urge the Congress to pass S. 871, the Regional Economic Development Act of 1983, sponsored by Senator Mitchell (D-ME) of this distinguished panel. S. 871 takes the best of existing economic development programs and builds on them. It proposes to target assistance to areas of chronically high unemployment and low per capital income. In short, it seeks to improve a program that has been mostly successful but that has some drawbacks. S. 871 moves toward a more flexible federal approach to assisting local communities with their economic development needs. But S. 871 is more selective than the current national program; it attempts to ensure that federal resources are channeled to areas with the greatest need.

Central to the bill, however, is the idea that needs are defined from the "bottom up" through a local development investment strategy for each community. The "action agenda" embodied in the local strategy is a blueprint for projects over several years, which identifies state and private funding sources, as well as federal assistance.

This approach encourages communities to attack their problems in a coordinated, comprehensive manner. NARC has long advocated this approach.

We believe it is an approach which recognizes that real communities are areawide by nature and that community economic development activities must be coordinated on an areawide level. In our view, federal economic development legislation should encourage local communities to coordinate their efforts through their regional councils of governments.

The bill's promotion of private sector participation in community economic development is also laudable. Scarce government resources will cause many successful economic development efforts to hinge on the active support of business and on harnessing a variety of public and private resources. S. 871 recognizes this economic reality.

Mr. Chairman, let me emphasize here that the proposals set forth in S. 871 are not incompatible with Title II of your bill S. 724, the Public Investment/Jobs Act. Titile II, like S. 871, is not intended to "blanket the nation" but seeks to maintain an ongoing national economic development program.

Enactment of a national economic development program which contains the principles embodied in S. 724 Title II and S. 871 would fortify the nation's community development base. As this base is strengthened, the federal government can move forward with additional initiatives that build on this solid foundation.

## Inventorying Our Public Facility Needs

Mr. Chairman, I would like to address the other infrastructure bills before the panel today in a general fashion, noting the key elements which, in our view, should be part of any infrastructure rebuilding effort.

Mr. Chairman, as you observed in your remarks on the Senate floor during the introduction of S. 724, the Public Investment/Jobs Act of 1983, the federal government has provided approximately 50 percent of all public facilities funds used by state and local governments over the years. This has been a wise and prudent investment in the country's future. Economic growth and the vitality of our total economy is predicated up on our ability to rely on essential public facilities.

This must be a continuing investment if our country is to remain strong. Therefore, discussions of proposals such as those contained in the bills before the committee today are especially important. They represent an effort on the part of the Congress to devise a rational approach to ascertaining and resolving the nation's infrastructure needs.

NARC has some concerns and suggestions for a federal approach to federal participation in necessary infrastructure investment. Let me outline some broad, yet essential, components for a successful national program of the magnitude envisioned in the bills before us today.

## Questions To Be Asked

First of all, Mr, Chairman, we need to ask some key questions before we embark on a new and necessary rehabilitation of our nation's public facilities:

- How can we best identify the manitude of the infrastructure problem and the degree of federal participation required for its solution?
- How can we achieve an identification process that reflects not only national priorities, but state and local concerns?
- How can the federal government encourage state and local governments to work together to identify pressing and real community needs, and address those needs in a manner which will benefit not only individual jurisdictions but the total regional community?
- Should we have a countercyclical action plan in the wings with a long-term national commitment to dealing with inexorable downswings in our economic cycles?

## Information Base Is There

The coordination process and information base for dealing with these questions are already in existence.

Federal legislation such as the Public/Works and Economic Development Act, the Appalachian Regional Development Act, and federal highway, transit and water quality legislation have caused the establishment of programming and planning processes for priority setting in most of the metropolitan and rural regions of the country.

It is this regional approach which NARC believes should drive the development of a national infrastructure program. The first priority should be to utilize existing intergovernmental tools to achieve our goal of identifying just what the nation's infrastructure needs are.

Obviously, to determine the magnitude of the infrastructure needs in this country we must inventory those needs. That inventory can be done quickly with existing regional data. It can be done within a year if the federal government provides some resources to states and their substate regional councils to re-examine and prioritize local public facility needs. We emphasize that these needs have mostly been identified through existing state and substate regional development plans already on the books.

In short, NARC believes that we could compile a national inventory of priority public facility needs by relying for the most part on the findings of the 600 substate regional agencies throughout the country.

As this inventory takes place, the federal government should also address how it will meet those local needs once they are prioritized. State and local governments need to know that reliable sources of funding will be available as they plan public projects. The federal government should develop a domestic capital budget process which would dovetail with the local and state processes described above. This national plan would tie it all together, establishing reasonable priorities so that the national purposes to be fulfilled by federal participation in rehabilitation of public facilities can be clearly identified.

Such a process would also be helpful in seeing that federal resources are equitably divided, recognizing differing multistate, state, substate, and local needs. But this process must be both one of "bottom up" identification of projects and priority setting with a larger view from the state and substate regional perspective. Scarce resources demand wise allocation--allocation that takes into account the community as a whole and is not exascerbated by fagmented and unrealistic demands which don't recognize that our urban and rural areas function as real regional communities.

Let me pause here, Mr. Chairman, to interject that we believe priority funding must be given to areas that have the most need based on high unemployment, number of business failures, and/or other economic indicators.

## Renewed Federal Commitment

The two steps described above illustrates a renewed federal commitment to economic stabilization and to supporting state and substate regional economic development. The changes in any economic system are dynamic. States and regions must recognize this and carry out planning and policy making activities which address these rapid changes. We are not advocating a wall-to-wall approach to funding public works. We are advocating a rational, reasonable approach to priority setting, utilizing the already significant federal investment as embodied in state and substate regional development plans.

Lastly, Mr. Chairman, the nation's infrastructure efforts should be two-tier. The first tier should be the first-line priorities of the national, state and local governments--an ongoing program for restoring public facilities.

The second tier, using data compiled in the initial inventory effort by states and substate regional councils, could constitute a "countercyclical action plan" to deal rationally and quickly in the event of an economic downturn.

Mr. Chairman, this concludes my remarks. Thank you.

national association of regional councils

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RICHARD C. HARTMAN, Executive Director

April 25, 1983

Chairman Robert T. Stafford
United States Senate
Committee on Environment and Public
  Works
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you again for providing the opportunity for NARC to testify before the Committee on the infrastructure/jobs bill.

Following are NARC's responses to the questions you posed in your letter of April 12:

Committee: What is your view of the need and value of an assured funding mechanism--possibly through a form of dedicated revenues--for the programs in S. 724?

NARC: An assured funding mechanism for public facility projects is highly desirable. State and local governments need to know that reliable sources of funding will be available as they plan public projects. But funding certainty is also important for other reasons. If there is long-term funding committed, then funding options increase. For example, federal funds could be programmed and committed to assist in amortizing a part of a local community's bonds to pay for the facilities. This would permit more projects to start up than if the entire federal share of the facility was contributed from the front end. State and local revolving funds would also become a feasible funding alternative.

Committee: Please give us your views on the special economic development needs of rural areas.

NARC: Too often federal programs have addressed rural economic development by simply attempting to "scale down" an urban program. This approach, while well-intentioned, does not recognize that rural areas are very different, not only in their obviously smaller population but in the way they define their needs. The water quality construction program is one example of federal good intentions that miss the mark. Many rural areas could solve their water treatment problems with alternative, small systems. But because the program is geared to sophisticated urban-oriented approaches, rural areas find it difficult, if not impossible, to obtain federal funding for their less ambitious alternatives. In short, universal criteria, shaped with urban problems in mind, cannot be applied to rural areas; we need to look at tailored approaches.

Committee: Please assume that EDA has gone out of existence. Would the Corps of Engineers provide an adequate alternative agency to encourage economic development? If not, what agency would you suggest?

NARC: NARC currently has no policy on this issues. As you know, we have continued to support a next stage economic development approach such as that outlined in S.871 and H.R. 10 on the House side. I should also note that our membership has conflicting views on the role of the Corps, which is based largely on their individual experiences within their states. However, if EDA were to go out of existence and no other agency within the Department of Commerce could be created to fill EDA's shoes, then the Corps could be an acceptable alternative if federal legislation provided that the planning, programming and priorities used in providing federal assistance were derived at the state, regional and local levels. In turn, the allocation of federal assistance would have to be under specific criteria in the federal statute, thereby removing subjective judgment by the Corps.

Thank you.

Sincerely,

Richard C. Hartman
Executive Director

RCH/ccm

# TESTIMONY

HARRIET PARCELLS AND DR. BRENT BLACKWELDER

OF THE ENVIRONMENTAL POLICY CENTER

PROPOSED INFRASTRUCTURE BILLS: S. 724, S. 23, S. 532, S. 871

APRIL 12, 1983

I want to thank the Committee for the opportunity to testify here today. My name is Harriet Parcells and I am accompanied by Dr. Brent Blackwelder. We are here representing the Environmental Policy Center.

The nation has awakened to a sobering fact-its bridges, local roads, transit systems, water and sewer facilities and other similar structures are in a serious state of disrepair. Maintenance and rehabilitation of these facilities have been shortchanged over the past decade. Tight state and local government budgets have forced funding choices and maintenance and repair have lost out to other pressing needs. Federal grant programs have favored construction of new facilities over repair of existing facilities. We are now faced with the staggering bill of neglect--perhaps in excess of one trillion dollars nationwide.

We commend the Committee Chairman, Senator Stafford, and members of the Committee, for holding hearings on this important matter. The Environmental Policy Center (EPC) appreciates the opportunity to testify here today on several legislative proposals that have been introduced to address this national problem: S. 274, S. 532, S. 23 and S. 871.

## THE PROBLEM: CAUSES AND SEVERITY:

The nation can no longer afford to preside over ribbon-cuttings of costly new facilities while existing facilities crumble. We must shift funding priorities to preservation of the trillions of dollars invested in existing facilities. A few statistics clearly convey the extent of the problem and need for immediate remedial action:

o ROADS: Local roads constitute 69 percent of our roadway or 2.6 million miles, the majority located in rural areas. Data suggest that over 50 percent of local road mileage is structurally inadequate. The Department of Transportation estimated that in 1978, 58% of rural arterials and 75% of rural collectors were in fair or poor condition; 59% of urban arterials and 67% of urban collectors were in fair or poor condition. This is expected to rise in future years. $600 billion is needed to repair city streets.

o BRIDGES: 180,800 non-federal aid system bridges are functionally deficient or structurally obsolete. 129,239 off system bridges were built before 1940. The 1982 Department of Transportation bridge report to Congress indicates that $23 billion is needed for repair and replacement of these structures.

o TRANSIT: By 1991, over 27,000 buses will need replacement nationwide and over 20,000 new buses needed to service ridership growth. Older rail systems in major cities such as New York, Boston, Chicago and Philadelphia face acute capital needs for upgrading and renovation. Aging facilities, repair and service equipment need repair and replacement. A total of $50 billion is needed over the next decade for these improvements.

o WATER SYSTEMS: Leakage from aging pipes is costing New York, Boston, Buffalo and other cities as much as one third of the water supply between their reservoirs and facilities. Estimates of repair needs for municipal water systems exceed $100 billion.

## WHAT ARE THE SOLUTIONS?

Numerous solutions are being discussed and experimented with to remedy this costly problem. EPC will comment on the Senate proposals that have been put forth.

S. 724, introduced by Senators Stafford and Randolph, is a comprehensive bill which addresses the national needs to repair deteriorating facilities and create jobs to help reduce the persisting high levels of unemployment.

Title I provides Federal grants to states and local governments for new construction or rehabilitation of public capital investment projects. These projects are defined to include a wide range of state, municipal and other public authority owned facilities, such as: non-federal-aid highways and streets, bridges, mass transit, rail systems, airports, water supply and distribution systems, sewers, dams, ports, waterways, docks, buildings and parks. The Secretary of the Army, acting through the Chief of Engineers, will administer the program, which provides $5 billion per year (from 1985-1994, for total of $50 billion) for eligible projects. Funds will be allocated to states based on a formula of 50 percent population and 50 percent paved miles of highway.

EPC believes that grants provided under Title I should be restricted to rehabilitation and renovation of existing facilities, not for construction of new facilities, as currently permitted in S. 274. There are existing federal grant programs to provide for construction of new facilities. Moreover, as pointed out earlier, policy to date has favored new construction. It is time now correct for the past underinvestment in maintenance and repair. S. 274 would permit federal grants to be used for inland waterways and ports. We object to this provision unless accompanied by imposition of user fees for full cost recovery. The Administration has advocated transportation user fees, stating that beneficiaries of services should pay for the cost of their operations. The recent enactment of the gas tax and Surface

Transportation Act of 1982 corrected inequities that have existed in the highway user fee structure for many years, by shifting the tax burden to those vehicles causing the most highway damage. These users have been significantly underpaying in taxes until now, and shortages of highway funds have frequently led to deferred maintenance, which in the long run leads to increased costs. EPC opposes the inclusion of dams as eligible projects for funding under this new grant program. Dam projects that we have examined are not economically justifiable and cause serious environmental and social impacts.

EPC would urge further that non-structural solutions, efficiency improvements and other alternative solutions be stressed in the capital investment program. In the past, for example, Federal approaches to flood problems have concentrated almost exclusively on structural solutions--building of dams and levees, and channel deepening and straightening. Little attention has been paid to non-structural alternative methods of flood control, such as: zoning to prevent development in hazard areas; flood-proofing of damageable structures; creating a greenbelt of parkland along floodprone streams and; relocating homes and buildings out of the flood zone. While such alternative methods have demonstrated their effectiveness where tried, they receive less than one percent of the Army Corps budget. Attachment I to our testimony is an article, entitled "In Lieu of Dams," by Dr. Brent Blackwelder, published in Water Spectrum.

In the area of transportation, as well, the solution too often has been the build alternative. Construction of new roadways and freeways or widenings have often had devastating impacts on low-income neighborhoods and commercial areas and resulted in destruction of environmentally fragile lands and prime farmland. A greater reliance on non-structural alternatives such as transportation system management techniques, expanded ridesharing and vanpooling programs, and improved and expanded mass transit systems could create the needed capacity as well, without the damaging environmental impacts.

Efficiency improvements could similarly result in low cost, environmentally sound alternatives to construction of new facilities. For example, water use could be reduced by 15 to 70 percent by an active municipal program of water conservation measures including the following programs:

1. Plumbing code changes to require low-flow fixtures and appliances and insulation of hot water pipes
2. Retrofit of existing building and homes with low-water use fixtures
3. Leak repair within buildings and homes
4. Leak repair in the water distribution system
5. Metering all areas and checking of meters for accuracy.
6. Revision of the rate structure
7. Public education program

8. Outdoor water use codes
9. Drought contingency plan
10. Program for recycling and reuse
11. Pressure reducing valves
12. Watershed protection and planning
13. Selected changes in personal habits.

Substantial water conservation is occurring in the industrial sector because the requirements of the Clean Water Act make it far more economical for industries to recycle water many times before discharge. The Water Resources Council (WRC) projects a sharp decline in water withdrawals by manufacturing from 51.2 billion gallons/day in 1975 to only 23.7 billion gallons/day in 1985, largely due to water recycling and reuse being undertaken by industry. Irrigated agriculture accounts for 47.5 percent of the water withdrawals and 82.8 percent of water consumption in the nation. The Department of Interior and the Department of Agriculture have described numerous methods for increasing the efficiency of agricultural water use, including: appropriate selection of irrigation method (drip, sprinkler or gravity) and use of techniques both on the farm and in the water distribution systems to the farm. Unfortunately, there are substantial barriers that prevent many techniques for increased efficiency of water use in agriculture from being implemented.

Conservation methods described above will not only avert a water crisis but bring many other benefits to the nation: savings in chemicals used to purify water, savings in operating costs for new sewage treatment plants, savings from not having to enlarge sewage treatment plants prematurely, savings from not having to build or enlarge reservoirs prematurely. A detailed discussion of water conservation is provided in Attachment 2, Survey of Water Conservation Programs in 50 States, a publication of the Environmental Policy Institute.

Similar efficiency programs could be developed in other areas as alternatives to construction of new facilities or premature construction of such facilities. We urge the Committee to include these non-structural alternatives and efficiency programs into the proposed public capital investment program.

Title I requires states to provide a 50 percent match to federal funds for eligible projects. We support this requirement of demonstrated state or local commitment to the project, so that projects will not be selected simply because the federal government will foot the major portion of the bill. EPC also supports the requirement that states hold public hearings to establish capital investment project priorities, allowing for a wide range of public input, and we support the requirement for adequate training programs to insure participation of women and minorities. We recommend further that recipients of grants be required to demonstrate how they will provide for ongoing maintenance of the facilities, so they will not fall into disrepair in the future (ie, through rate structures that provide adequately for maintenance).

The Secretary of the Army, acting through the Chief of Engineers, is designated to administer the grant program in Titles I-III. Given the wide range of eligible capital investment projects, which fall under the jurisdiction of the Environmental Protection Agency and the Department of Transportation, as well as Army Corps of Engineers, we suggest that perhaps a joint-direction by the heads of these three agencies (EPA, DOT, Army) be considered. The formula for allocation of grant funds is based 50 percent on population and 50 percent on highway mileage. Again, given the wide range of eligible projects, we question whether simply using highway mileage is an appropriate weighting factor.

Finally, Section 105 of Title I states that all Federal agencies shall review, and where necessary, revise its rules and regulations to assure that, consistent with existing law, permits for repair and rehabilitation projects be acted upon expeditiously. EPC supports elimination of unnecessary delay only if the process complies with all requirements for permits required under various existing laws. Title VI, General Provisions, states in Section 606 (a) (7) (b)

> Nothing in this Act shall alter the requirement of the National Environmental Protection Act, Fish and Wildlife Coordination Act, Endangered Species Act or Title III of the Clean Water Act.

EPC suggests that to this list of important environmentally protective legislation, the following laws be added: The Department of Transportation Act, the Coastal Zone Management Act, the National Historic Preservation Act and all titles of the Clean Water Act. A major concern of EPC is how the federal government will assure consistency in the application of environmental laws if each state is overseeing its own programs. Secondly, it is unclear to us who will actually be responsible for construction: the state, the federal government, etc.? Whose designs and plans will be used? Given the fiscal constraints facing state and local governments, do they have adequate staffing to carry out these new responsibilities and tasks? Finally, EPC is unclear as to who will be legally responsible for these new projects? We believe the legislation should address these important issues in more detail.

Titles II and III of S. 274 (and similarly Titles IV and V which be commented upon separately) have the special objective of creating jobs in areas of high unemployment and low income. Like Title I, Titles II and III create jobs through federal grants for construction and repair of public investment projects under the direction of the Secretary of the Army.

Title II provides federal grants for public capital investment projects to increase jobs and provide long term economic revitalization to states, local governments and Indian tribes of low-income and high unemployment compared to the national average. Title III provides funds for capital investment projects, at the onset of an economic recession to help offset its impacts. Title III establishes a countercyclical Trust Fund of $2 billion (maximum), to which $200 million is transferred each year.

EPC strongly supports the vital national need to reduce high levels of unemployment. We believe this can be achieved however, through the establishment of a public works program that brings special environmental benefits and energy conservation. H.R. 1727, introduced by Congressman Robert Edgar on March 1, 1983, is such a public works program and strongly supported by EPC and many other public interest organizations. The bill encompasses a wide range of public works projects that would benefit our national parks, forests and other public lands, historic neighborhoods, cities and towns, rail passenger and mass transit systems and energy conservation. The projects would provide economic stimulus and job creation in all states, territories and geographic regions. Moreover, these projects would employ many of the same types of workers and industries employed by presently funded public works projects, but would have the added benefit of enhancing the environment.

For example, jobs would be provided for repair and rehabilitation of lands and facilities of the National Park system, National Wildlife Refuge system and National Forests, directed to the millions of dollars of backlogged projects in these areas. Jobs would be provided for preservation, interpretation and development of urban resources of cultural, architectural and historic significance. Jobs would be provided for rehabilitation and repair of essential railbeds and development of light rail systems in cities deemed appropriate by the Urban Mass Transportation Administration. And jobs would be provided for an expanded weatherization program and for energy conservation activities. A more detailed description of H.R. 1727 is provided in Attachment 3.

Jobs of this nature are labor intensive, creating numerous jobs per dollar invested, could be implemented quickly and address important national public works needs in a manner that enhances the environment. We urge the Committee to consider such a public works program for job creation and needed repair work.

Titles IV and V of S. 274 create similar types of jobs to some of those mentioned above. Title IV provides $500 million for jobs to rehabilitate historic buildings, districts, objects and sites. Funds will be distributed to provide benefits to all states. An additional $25 million is targetted to nonprofit neighborhood organizations for housing and community development projects. EPC strongly supports such federal investments which generate jobs for needed repair of our nation's historic heritage. The jobs created are labor-intensive, can proceed immediately and, in many cases, be carried out year-round.

Title V provides jobs for youth employment through a community conservation and improvement program and a young adult conservation corps. The jobs created would involve rehabilitation and improvement of public facilities, renovation of urban parks, weatherization of low income and elderly housing, energy conservation and solar techniques and maintenance and restoration of natural resources on publicly held lands. Jobs involving the Corps would entail tree planting, wildlife habitat improvements and preservation, road trail maintenance and many other improvements. Again, such jobs address important national needs, are labor intensive, creating numerous jobs per dollar invested and can be created quickly. EPC strongly supports investment in jobs in these areas. We support the American Conservation Corps legislation which has been passed by the House twice and we urge similar action in the Senate. Moreover, the type of jobs created are those we also support in HR 1727.

S. 23, introduced by Senator Moynihan and co-sponsored by Senators Hart, Cranston and Bradley, calls for a national inventory of main water and sewer systems, bridges, highways, roads and mass transit systems. The age and condition of the facilities, trends in their condition, financing, and trends in public expenditures for repair will be examined. This inventory will be conducted by a National Commission on Rebuilding America. The Commission will also develop a ten year National Public Improvement Plan, listing by priority, needed repairs, rehabilitation and replacement of facilities in each region. Finally, capital investment outlays will be identified and submitted to the appropriate Congressional committees.

EPC supports the proposal for a national inventory of our major public facilities and documentation of their condition, financing, etc. We would suggest further that where facilities, through the inventory, are found to be well-maintained, the key to success should be documented and shared with other states and local governments. What actions were taken to provide for good maintenance in these facilities? How could this be replicated in other areas? We support the development of a public improvement plan, identifying by region, the priorities for repair and rehabilitation. This would provide Congress with needed information for rational funding of public investment projects, as opposed to the process of pork-barrel politics which too often dictates where funds are allocated. Finally, we strongly support the provisions in the Plan which recommend changes in user fees, excise fees, construction, means of eliminating waste, corruption, and encourage least-cost life cycling.

As mentioned in our testimony, EPC supports user fees for full cost recovery of inland waterways and ports and supported the increased user fees for heavy vehicles during the recent highway legislative debate. There is documented need to eliminate fraud in public works projects. U.S. News and World Report, in its article, To Rebuild America (Sept. 27, 1982) cited a blue-ribbon panel investigating bribery and corruption which found that over $6.4 billion in state and county building construction was defective. This required an added $2 billion in changes to correct. Bid-rigging among highway contractors has led to extensive antitrust investigations by the Justice Department and resulted in over 170 criminal prosecutions since 1979. Such fraud or inefficiency leads to increased costs of public projects, costs which are borne by the taxpayer.

S. 532, introduced by Senator Domenici and co-sponsored by Senators Bradley, Andrews, Gorton and Randolph, would promote adequate and low-interest capital for financing of public capital investments. States which establish a State Infrastructure Bank would be eligible to receive federal funds which could be used by the Banks to issue no- or low-interest loans to government units for capital investments or to help refinance debt obligations at or below market rates. The objective of the legislation is to encourage state and local governments address infrastructure needs with a minimal amount of federal involvement. Public investment projects which would be eligible for funds include: facilities and structures to provide water, waste disposal, resource recovery, transportation and similar services.

As EPC commented earlier in relation to S. 274, we would support these funds being applied to repair and rehabilitation of public capital investment projects only; not for new construction. In addition to the environmental laws cited in S. 532 which shall not be altered (NEPA, Fish and Wildlife Coordination Act, Endangered Species Act and Title III of Clean Water Act) we would again add to this list the environmental laws cited in our discussion of S. 274. And again, we would raise the concern of how consistency of application of environmental laws will be assured with each state overseeing its own projects.

It is our understanding that a number of states are already looking at means of providing low cost financing for capital investment projects. Legislation has been introduced in New Jersey, for example, which would establish a revolving loan account for repair of capital investment projects such as water supply systems, roads and bridges. The bank or fund would provide low- or no-interest loans for such projects. It is expected that the Assembly will discuss this legislation later this month.

The state of Utah has enacted bonding authority for water projects and buildings. There has been discussion in the past of a comprehensive program applicable to other types of facilities but no positive action has been taken. A federal program, as proposed by S. 532 could provide the needed seed money to get such programs off the ground.

S. 871, introduced by Senator Mitchell, would provide federal grants to state and local governments and non-profit organizations for economic development purposes, including construction, repair and rehabilitation of public facilities targetted to economically depressed areas. It would provide grants to establish a revolving fund to make guaranteed loans to small businesses for initial and working capital or for purchase of facilities and equipment and also provide grants for economic development planning and preparation of investment strategies.

Again, EPC's comments in terms of eligible projects would those stated above in relation to the other proposed bills: funds should be limited to repair of existing facilities and all environmental protections assured. We oppose the use of any economic development funds for stream channelization, which poses threats to fish and wildlife.

That concludes the testimony of the Environmental Policy Center. We would be happy to answer any questions you might have.

ATTACHMENT 1

# In Lieu Of Dams

by **Brent Blackwelder**

The best way to dispel the suspicion that conservationists want to return the country to the Stone Age by opposing water resource development projects is to consider some of the superb alternatives we have proposed to traditional dam building, canal digging and stream channelization. Water resource projects are designed primarily to achieve one or more of the following objectives: flood control, water supply, recreation, hydropower and navigation. Given the desirability of providing these objectives, if the environmental community wants the Army Corps of Engineers and other agencies to stop altering the rivers and streams of America through water resource construction, what do we have to offer instead?

The alternatives I wish to discuss are nonstructural solutions to flood problems; water pricing, water conservation and proper management for meeting water supply needs; development of scenic rivers or non-water based recreation instead of flat-water reservoir recreation; energy conservation measures taken prior to building more hydropower dams; and finally, refurbishing our country's railroads instead of constructing new barge canals.

## Flood Control

A wide range of nonstructural options is available to replace structural alterations of rivers and streams in achieving flood control. The term "nonstructural" means that these alternatives do not involve alterations of rivers through damming or channelizing.

The alternative of creating a greenbelt of park land along a stream is very attractive in some areas where stream channelization has been proposed for flood control. The basic idea is that many uses of flood plain lands are compatible with periodic flooding. Devoting a green strip of park land alongside both banks of a river, serves the objective of flood control without destroying the natural beauty of the rivers or its recreational potential.

The Corps of Engineers is currently applying two such green belt concepts at its Indian Bend Wash project in Arizona and along the South Platte River in Colorado, where the Corps has transferred funds intended for channelization to a green belt project. That the designing of such nonstructural projects can pose an engineering challenge is demonstrated by the fact that the Indian Bend Wash project received a distinguished engineering award from the American Society of Civil Engineers.

In Prairie du Chien, Wisconsin the Corps is using two other nonstructural techniques to achieve flood control. It is relocating some residents from an island in the flood plain and is also flood proofing other buildings in the vulnerable area. By combining flood proofing and partial evacuation of the flood plain, the Corps has produced a workable plan where the traditional approaches of changing the river were too costly.

The Charles River Natural Storage Area in Massachusetts offers an example of still another nonstructural flood control technique. Here the Corps of Engineers wants to preserve 17 upstream valleys in their natural condition to prevent an increase in flood damages downstream which could occur if these valleys and their associated wetlands were developed. In 1971 the Corps found that flood losses averaged $158,000 annually. If 40 percent of the upstream wetlands storage areas were developed, however, annual flood damages would jump to a staggering $957,000.

These four nonstructural flood control projects show that the Corps can and will carry out such plans. The problem is that nonstructural projects are the exception, not the rule, as far as flood control is concerned. Despite the provision of section 73 of the Water Resources Development Act of 1974 (it provided authority for Federal agencies to pursue nonstructural alternatives with cost-sharing provisions), progress in starting a large number of nonstructural projects has been very slow. This is especially regrettable since nonstructural projects do not have environmentally damaging impacts and, in the judgment of many, offer the best hope of achieving a reduction in the ever mounting annual flood damages billed to our country.

The trouble is that despite increasing expenditures on flood control structures, and despite the damages such structures

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Dr. Blackwelder is the Washington representative of the Environmental Policy Center. This organization, formed in 1972, is a public interest, environmental lobby working in the fields of energy and water resources.

have prevented, the country's annual flood damage bill continues to rise. Both the Task Force on Federal Flood Control Policy and the National Water Commission strongly support greater reliance on flood plain management techniques as the way to solve the Nation's Nation's flood problems.

Continued paving over of land in metropolitan areas leads to greater runoff and causes periodic flooding of streams. A wide range of tools is available to curtail some of this destructive runoff from suburban shopping centers and parking lots. On-site detention ponds should be required for large-scale developments. Gravel dry wells or recharge pits and porous surfacing material can help solve runoff problems. Controlling erosion by planting ground cover in new housing developments and shopping centers can also curb runoff and prevent siltation and the resultant loss of channel capacity in urban creeks and streams.

One important feature of nonstructural alternatives like flood plain evacuation and flood proofing is that they remove the burden of flood control from individuals not responsible for the problem—those inhabiting the upstream area. A disadvantage of reservoirs from the standpoint of social equity is that farmers and rural residents who are not the cause of the flood problem are forced to give up their land, some of which has been in the same family for generations, for a dam to protect people who have built downstream in the flood plain.

### Recreation

Most conservationists generally feel that enough reservoirs have been built to last far into the next century. In fact, the Corps should not, we argue, continue to cite recreation benefits to justify reservoir projects because demand for other forms of recreation, including non-water activities, is growing much faster than flat-water recreation demands. Second, building lakes in the rural countryside neglects the pressing recreation needs of the inner city where there is an insufficient number of facilities for regular use on a daily basis. Third, reservoirs eliminate some truly unique areas which provide unsurpassed recreational opportunities.

The Meramec Park Dam in Missouri is a good example of a project which will eliminate more recreational opportunities than it provides.

Conservationists discovered that about half of the claimed recreation benefits were coming from "sightseeing"—people coming to the reservoir not to boat, fish, picnic or swim but simply to stare at what the Corps had constructed.

Furthermore, the area already has an abundance of recreational opportunities: fishing and boating on the Meramec River; camping, hiking and picnicking in a State park; a wildlife management area; and, in addition, spelunking in numerous caves, including the beautiful Onondaga. Each year several hundred thousand people visit Onondaga Cave, a truly unique asset to the area and Nation.

The alternative to the Meramec Park Dam would involve establishing a green belt and recreation area in the lower Meramec River and a combination of farm land, wildlife management areas and park land in the upstream reaches.

The point of this example is that the Corps partially justifies some projects by using recreational benefits when there are ample recreational opportunities already in the project area. Given hundreds of large reservoirs now existing all over the country and the growing demands for other types of recreation, it is a serious mistake to irrevocably commit these scarce river valley resources. We essentially deprive future generations of some choice in these matters and, at the same time, neglect the plight of the inner city resident who must face crowded facilities if he chooses to picnic, swim or play tennis. The obvious alternative to more reservoirs is to spend money on inner city recreation facilities and to leave the rural landscape available for other forms of enjoyment.

Only 19 rivers are now included in the national wild and scenic rivers system, but over 50,000 public and private dams have been built. It is time to correct the imbalance, and conservationists propose increasing the national wild and scenic river system by several hundred rivers to preserve both their natural and recreational value.

### Water Supply

A wide range of methods dealing with water supply problems can be tried before building more reservoirs. In a number of cases where reservoirs have been proposed to solve water supply problems, conservationists have found that a water shortage did not exist, that the demand was based on questionable population projections or that benefits would accrue to only a handful of beneficiaries. For instance, we discovered that 70 percent of the water supply benefits of one Corps project, Lukfata Dam, would go to a single catfish farm operation and that the small town of Idabell, Oklahoma, population 6,000, would have to grow to 100,000 over the 50-year life of the project to fully use the projected water supply.

Setting aside such examples, let us suppose that we encounter an area with a legitimate water supply problem. What are the alternatives to building reservoirs? One of the most overlooked choices, particularly east of the Mississippi, is the use of groundwater supplies. The National Waterwell Association argues that groundwater reserves are frequently available on a sustained yield basis for as little as one tenth the cost of surface supplies. In the case of the controversial Oakley Reservoir in Illinois, which the Corps has now placed in the inactive category, a proper examination of the ample groundwater supply was not carried out.

More emphasis should be placed on the supply side of the equation. The National Water Commission, established by Congress in 1968 to do a 5-year in-depth study of all the Nation's water problems, devoted an entire chapter to better use of existing supplies in its final report.

## Water Policies for the Future

The Commission found little incentive for proper use of water because most cities assess a flat charge for the first units of water consumed and then assess progressively lower charges per unit as more water is consumed. The inevitable result is that there is little incentive to avoid excessive use.

According to the Commission, for instance, plumbing fixtures for showers and toilets could reduce total water use in the average household by as much as 35 percent and save commercial and business establishments up to 50 percent.

The Commission notes that ". . . if the common pricing policy were reversed there would be a financial penalty for excessive consumption and an incentive for individual conservation. Efficiency would also be improved by pricing policies which charged more at times of peak demand and less at times of slack demand."

To compound the problem, some areas like New York City do not meter their water, nor have they repaired leaks or fixed defective connections and valves. The Commission recommends effective leak control programs, installation of water metering, reform in the pricing structure for water and amendments to plumbing codes requiring the installation of water saving fixtures and appliances. By requiring localities to take these steps prior to receiving any Federal planning money for a water supply reservior, the Federal Government could easily eliminate much unneeded dam building.

Proper management of already existing reservoirs can go a long way to alleviate the problems of water supply. Dr. Daniel Sheer, planning engineer for the Interstate Commission on the Potomac River Basin, has argued cogently that the Washington metropolitan area already has a sufficient number of reservoirs which, if properly managed, could meet the area's water needs well into the next century.

Dr. Sheer's proposal would require keeping tributary reservoirs full by using the adequate water flow from the Potomac River before a drought ever starts. By this method, Dr. Sheer points out, ". . . the Washington area would come through the worst drought with . . . 5 billion gallons of water to spare . . ." *

These alternatives to water supply reservoirs do not exhaust the possibilities. In the West, reform of groundwater management codes and the "use-it-or-lose-it" doctrine are essential. Land treatment techniques for sewage disposal and recycling of wastewater, some of which have been pioneered by the Corps, yield good quantities of pure water.

## Navigation

In looking to alternatives to navigation projects, we must define the ultimate goal of public spending for transportation. A reasonable goal would be achieving national transportation efficiency. This would benefit the entire economy—the businessman, the consumer and the environment. Conservationists argue that present navigation policy, which includes canal building, does not contribute to this goal. On the contrary, we are convinced that new canals damage the environment, are inefficient and are not justified economically.

The basic alternative to navigation projects lies in increased and improved railroad service and efficiency. From the environmental standpoint railroads are desirable because canals are generally much more destructive than railroad corridors. Furthermore, all the major railroad corridors have already been built so whatever environmental damage these routes have caused is a *fait accompli*.

In the area of energy efficiency the University of Illinois Center for Advanced Computation looked into prior studies of the fuel efficiencies of barge and rail modes. The Center found that studies which showed an energy advantage to barges had relied on mere ton/mile comparisons of energy consumption and had used average rail data for the entire country. These earlier studies neglected the fact that barge follow meandering rivers, thus traveling more miles to reac a given point than trains. Also, barges and railroads both shi bulk commodities which, if moved in unit trains, help give a slight energy advantage to railroads.

Is placing greater reliance on the railroads a viable alternative? Clearly, such a decision would have environmental advantages and no obvious energy disadvantages. It is a legitimate choice because there is already more track available than we now use. Professors Findley and Hannon of the University of Illinois proposed giving the Corps of Engineers authority to repair the Nation's rail beds to increase use of railroads. In an article published in *National Resources Journal*, they cite the railroads' generally poor record of track maintenance and note that the Corps is experienced in the area of rail repair. Ironically, the Corps has built over 1,500 miles of new rail bed in the past 25 years to replace old rail lines inundated by its reservoirs.

Furthermore, the Federal Government now pays 100 percent of the construction costs of new canals and all the operation and maintenance costs of the inland waterway system. If the beneficiaries of a number of major new canal projects had to pay for them, then the canals would probably not be built.

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* Daniel P. Sheer, "Perspective on the Washington Metropolitan Area Water Supply Problem, 1977. Available from the Interstate Commission on the Potomac River Basin.

According to the Department of Transportation, the Federal Government has put some $30 billion over the past decade into our national transportation network. Until the passage of the Rail Reorganization Act of 1973, railroads had for many decades gone without receiving even a fraction of this support. As a result, our rail network has declined at the very time when it has such obvious advantages over other modes. Conservationists who oppose barge canal projects are thus not being obstructionists without alternatives. Rather we say that revitalization of our railroads is a more sensible way to spend public transportation dollars.

### Hydropower

While most Army Corps of Engineers projects do not produce hydropower (only 28 projects of more than 200 scheduled for some type of construction in the fiscal 1977 budget would generate electricity), conservationists do have much better alternatives to the construction of large hydropower dams. At the outset one might wonder why conservationists object to some hydropower projects. Aren't they a "pollution-free" form of energy which draw upon a renewable resource? It is true that hydropower projects do not have many of the environmental problems associated with fossil fuel or nuclear power plants, but they do have major environmental drawbacks: inundation of vast amounts of forest and significant wildlife habitat, damage to the native acquatic life through alteration of historic flow patterns, blocking of migratory fish passages, and damage to coastal resources by cutting off the downstream flow of nutrients.

The best alternative to hydropower projects is putting our major national effort into energy conservation together with the development of such alternatives as solar energy and wind power. One example will demonstrate the dramatic difference in results if we go the energy conservation route. If instead of building Dickey-Lincoln Dam in northern Maine the money were put into insulating attics we would realize the equivalent of 43 times the output of the Dickey-Lincoln project. Investing the money in insulation of walls would yield an equivalent savings of 7.5 times the output of the project. Installation of storm windows would yield 4 times the output. Doesn't it make sense to pursue such alternatives first before making irrevocable commitments of river resources?

The Corps is now being assigned the task of evaluating the potential of installing generators in numerous existing small dams throughout the United States. This alternative appears to have important environmental advantages over the construction of new dams.

Many of the alternatives I have discussed—nonstructural flood control projects for instance—could be undertaken by the Corps without further legislation. Others such as the repair of the Nation's rail beds would require new legislative authority. Some of the alternatives would have to be implemented by other Federal agencies like the Bureau of Outdoor Recreation in the case of scenic rivers or by appropriate State or local entities.

Pursuing conservationists' alternatives affords the best way of achieving the legitimate objectives of water projects—flood control, water supply, energy, recreation and transportation efficiency—while at the same time avoiding environmental damages and the loss of areas of scientific, educational and historic importance. Furthermore, these alternatives do not constitute irreversible commitments of river valleys; they leave open choices to future generations which are precluded by many traditional water development projects. Finally, conservationists' alternatives often have the advantage of being less costly to the taxpayer. ■

**A Cost/Benefit Comparison Based on the Dickey-Lincoln Hydro-Power Proposal**

by Dr. James MacKenzie, Scientific Staff
Massachusetts Audubon Society
April 1977

|  | **Cost** | **Energy Produced** | **Energy Saved** |
|---|---|---|---|
| **Dickey-Lincoln** (1976) | $668 million | 1.2 billion kw hrs =<br>4.1 trillion BTU per year | none |
| **Conservation Alternatives** |  |  |  |
| Attic Insulation (9" fiberglass, contractor installed @ .30/sq. ft.) | $668 million | none | 177 trillion BTU per year 43 times as much as Dickey-Lincoln |
| Wall Insulation (Foam installed @ .70/sq. ft.) | $668 million | none | 31 trillion BTU per year 7.5 times as much as Dickey-Lincoln |
| Storm Windows ($30 each, installed) | $668 million | none | 18 trillion BTU per year more than 4 times Dickey-Lincoln |

ATTACHMENT 3

SUMMARY OF THE FUNDING AND PROGRAMS AUTHORIZED IN THE ENVIRONMENTAL WORKS BILL

| TITLE | | FUNDING PER YEAR |
|---|---|---|
| II | Projects to improve and rehabilitate lands and facilities in the National Park System | each year<br>$160 m FY 84-88 |
| III | Projects to rehabilitate lands and facilities of the National Wildlife Refuge System | each year<br>$183 m FY 84-87 |
| IV | Financial and technical assistance to states for development & implementation of cultural park projects and management plans | $ 17 m FY 84<br>$ 20 m FY 85 |
| V | Reforestation, watershed protection, and fish & wildlife projects of the Forest Service's Renewable Resource Plan | each year<br>$255 m FY 84-90 |
| VI | Grant program to states to help develop plans for planting trees in cities of over 25,000 | each year<br>$ 20 m FY 84-87 |
| VII | Program to upgrade 24 intercity rail passenger corridors to provide 76 MPH service; improvements in railbeds, passenger stations, and grade crossings | each year<br>$ 82 m FY 84-87<br>plus $4.3 billion<br>transfer over 4 yr |
| VIII | Program to fund light rail systems in areas found suitable by the Urban Mass Transit Administration (85-15 match) ($500 million ceiling per project) | transfer for 4-year<br>period of $4 billi |
| IX | Increase funds for Community Action Development Grants and National Register projects | transfer for 4-yea<br>period of $1 billi<br>per year maximum;<br>$ 875 m FY 85-87 |
| X | Program to accelerate weatherization of low-income households and to reauthorize the Solar Energy and Energy Conservation Banks | each year<br>$2 billion FY 84-9<br>for weatherization<br>transfer allowed f<br>weatherization<br>$1.125 billion for<br>the banks FY 84-8 |
| XI | Authorizes citizen suits | |
| XII | Authorizes preparation of priority lists of projects in Titles VII, VIII, IX and X | |
| XIII | Authorizes additional appropriations for Titles VII, VIII, IX, and X so that the money for a given state in these titles plus the money the state receives for water development does not exceed the ceiling specified in this title for each of the states. | $5 million to<br>administer the act<br>transfer ceilings<br>totaling $4,024,93<br>880 billion per ye<br>maximum |

TOTAL AUTHORIZATION FOR FY 84: $3,867 billion

# INFRASTRUCTURE AND JOBS

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MONDAY, APRIL 18, 1983

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
*Washington, D.C.*

The committee met at 10:02 a.m., in room SD-406, Dirksen Senate Office Building, Hon. Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Randolph, and Bentsen.

## OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. The committee on Environment and Public Works will please come to order.

I am pleased to be able to open today's hearing, the third in our series on the infrastructure and jobs issue. I am pleased that these hearings have attracted attention, bringing us frequently a crowded and impressive witness list.

The focus of today's hearing is youth jobs—the need to bring more of our young people into the job market to provide job opportunities for the future. If we succeed, that success might prove the single most important thing this committee or even this Congress will achieve in 1983.

It is appropriate that earlier this month, the Post Office issued a stamp honoring the 50th anniversary of the Civilian Conservation Corps. Much of what we will discuss today reflects that fine program. During its 9 years of existence, the CCC was responsible for errecting tens of thousands of telephone lines, building 126,000 miles of roads and trails, developing 6,660,000 erosion control dams and planting 2.4 billion trees.

Over its history, 2½ million Americans worked in 4,000 CCC camps across our country.

I might say parenthetically that some of the CCC buildings are still in use in Vermont as parts of some of the smaller ski areas up there.

Maybe the most amazing fact about the CCC as we look back is this: In 3 months after the CCC became law, 275,000 young Americans were already at work, at 1,300 CCC camps. While I recognize we might not be able to move with that degree of dispatch, we must not be deterred from acting, from bringing new job opportunities to young Americans. The leadership of our Nation owes that to our future. We owe it to ourselves.

We are very happy to welcome as our first witness this morning the Director of the Bureau of Labor Statistics who has been kind enough to come up and help this committee with its deliberations on infrastructure and jobs. So I, for the committee, welcome Dr. Janet Norwood as our first witness.

## STATEMENT OF DR. JANET NORWOOD, DIRECTOR, BUREAU OF LABOR STATISTICS

Mrs. Norwood. Thank you very much, Mr. Chairman. I am very glad to be here to discuss with you some of the employment problems faced by our young people.

Teenagers and young adults have a more difficult time in the labor force than older workers do. Some of this difficulty stems from the fact that young people have little work experience; frequently move in and out of the labor force and combine school with labor market activity. It is, therefore, not surprising to find that the unemployment rates of young people are the highest of all the age groups; the types of jobs they hold often have limited prospects and their wages are low when compared to those of more mature, experienced workers.

In addition, some youth face further difficulties in intermittent employment which frequently characterizes the transition from school to work. Even greater problems are faced by our black youth, who have extraordinarily high rates of unemployment.

The teenage population of the country grew rapidly during the 1960's and early 1970's, as the large number of children born after World War II grew up. The number of teenagers has been declining in recent years, however, and this decline is expected to continue in the future. The decline will be much sharper among white teenagers, however, since birth rates for blacks have been somewhat higher and have declined less than for the white population in recent years.

Hispanics are still growing in number.

As a result, minority youth 16 to 19 years old will account for a larger proportion of the total population growth in the years to come. For those 20 to 24 years old, this same overall pattern prevails with the number of white young adults expected to decline very sharply, while the number of blacks is expected to change only slightly.

Over the last 3 years, the United States economy has experienced two recessions, and the job market problems of teenagers and young adults have intensified. On average in 1982, the United States had a civilian labor force of about 110 million persons. About 8½ million of these were 16 to 19 years old, and another 16 million were in the 20 to 24 year group.

About 2 million of the teenagers and almost 2½ million of the young adult group were unable to find jobs.

The 16 to 19 year old jobless rate, at 23.2 percent, was about three times the rate for persons 25 years of age and over, and the rate for young adults, at 14.9 percent, was close to twice the more mature worker rate of 7.4 percent.

We must recognize that no single number can adequately explain the employment situation of teenagers and young adults. For many youths, unemployment is a temporary problem associated with finding the first full-time job or even with finding an after-school job. For example, nearly ½ of all unemployed teenagers in October 1982 were in school.

Many others, however, have a more permanent problem. In low-income families, the share of total family income accounted for by teenagers can be important to the welfare of the entire family. Moreover, in addition to the loss of income, a prolonged unemployment experience, even if intermittent, can deprive young people of the opportunity to accustom themselves to the world of work or to develop work skills.

You know, we tend to think of adult workers in this country as mature, experienced and productive. But many of these adults have built upon the job experiences of their youth. Young people who have not had any success in the job market may encounter more difficulty when they become more mature members of the work force.

The incidence of black teenage unemployment is very high, and, unlike the situation among white teenagers, the jobless rate for black youth has been trending upward.

In addition, about one-half of all black teenagers lives in families with very low incomes, frequently single parent families, or are living apart from their parents, for these young people, finding a job can be of crucial importance.

Of the 4.4 million unemployed 16-to 24-year olds in 1982, 3.3 million were white and close to one million were black. Thus, black youth are disproportionately represented among the jobless, comprising about 10 percent of the youth population but 20 percent of the unemployed.

In 1982, nearly one out of every two black teenagers in the labor force could not find a job. For young black adults, one in every three in the labor force was unemployed.

In each case, black youth were more than twice as likely to be unemployed than their white counterparts.

It should be noted that this large disparity in black teenage joblessness has not always been the case. Prior to the mid-fifties, the unemployment experience of black and white teenagers was roughly the same. Since then, however, black unemployment rates have risen much faster than for whites.

Even more disconcerting is the labor force participation of black teenagers. During the 1970's, the teenage participation rate rose steadily to a high of 58 percent in 1979 as the babyboom generation entered the labor force with greater frequency than their counterparts before them.

While the rates for white teenagers have continued to rise during nonrecessionary periods over the last 10 years, the participation rate for black teenagers, particularly young black males, has trended downward.

In 1982, only about one-third of the Nation's black teenagers was working or looking for work. When we look at the proportion of the population who are employed, that proportion is even lower. In 1982, the employment-population ratio for black teenagers was 19 percent, nearly 27 percentage points less than the proportion for their white counterparts.

Consequently, black youth labor market problems are not limited solely to unemployment but extend to those that have chosen not to enter the labor force at all.

The area of residence of young persons may also create variations in their labor force experience. More youth live in the suburbs than in the central cities or nonmetropolitan areas. In marked contrast to the general pattern, more than half of the nearly 5 million black youth lived in the central cities in 1982, while nearly one-fourth each lived in the suburbs and nonmetropolitan areas.

In each of these locations, however, teenagers and young adults constitute roughly 22 percent of the overall labor force. Youth in the central cities exhibited somewhat lower participation in the labor force than those in suburban and nonmetropolitan areas and correspondingly higher unemployment rates. Regardless of race, youth living in central cities generally had the most difficulty in obtaining jobs. Their jobless rate of 28.6 percent in 1982 was considerably higher than that in the suburbs or nonmetropolitan areas.

Not surprisingly, most unemployment among teenagers and and young adults is associated with entry or reentry into the labor force market. In 1982, 70 percent of all unemployed teenagers were new entrants or reentrants to the labor force. Roughly 45 percent had never worked before. Among those 20 to 24 years of age, about one-third of the jobless were entering the labor force after a period of labor force inactivity.

In comparison, only about one-fifth of all unemployed workers 25 years of age and over were entering or reentering the labor force. Some 70 percent of the adults over 25 years of age became unemployed because they had lost their last job. Much of the youth unemployment, therefore, is associated with the job search effort related to intial labor market entry or with the job service associated with voluntary job turnover, interruptions in employment due to school or other activities. Thus, unemployment among teenagers often results from frequent individual spells of unemployment rather than from the long duration of a single spell of unemployment.

In 1981, one in every three teenagers who experienced some unemployment during the entire year was unemployed for 4 weeks or less. For both young adults and workers 25 years and older, approximately one-quarter of the unemployed had such a brief amount of unemployment during the year. The more limited duration of teenage unemployment stems, in part, from the fact that each summer large numbers enter the labor market in search of jobs. Between April and July 1982, for example, the 16- to 19-year old labor force rose by 2.6 million and their participation rate jumped 17 percentage points.

The experiences of teenagers in the labor force are substantially different from those of adult workers. The labor force patterns exhibited by young persons 20 to 24 years, however, are not so clear. On the one hand, young adults demonstrate a much stronger commitment to the work force than do teenagers. And most 20- to 24-year-olds are full-time workers compared to the large number of teenagers working part time.

Yet the unemployment difficulties of the 20- to 24-year-olds are more like those of the teenage group than those of the adult worker group. These young adults are a group in transition, affected to a large degree by unemployment associated with entry or reentry and job change, the same problems that affect the teenage worker.

The differential patterns in youth labor market activity can be further examined by school enrollment status. Increasingly, teenagers ease into the world of work by combining their major activity of school with labor market involvement, usually on a part-time basis.

In October 1980, 69 percent of the teenager population was enrolled in school. Although students are less likely than nonstudents to participate in the labor force, nearly half of all unemployed teenagers were enrolled in school. Only 12 percent of unemployed 20- to 24-year-olds were enrollees.

But it is the youth who have dropped out of school who really face the most significant unemployment problems. The unemployment rate among dropouts in the 16 to 24 year age group was 31.8 percent in October 1982. The comparable rate for high school graduates was 17.3. Nearly a fifth of all high school dropouts was black. School dropouts often must compete with students for temporary jobs and lack the necessary education and skill to be eligible for career jobs.

In many cases, high school dropouts permanently lack the necessary educational credentials to be hired for a large number of long-term kinds of jobs.

While education can be an important asset in the job market, the kinds of jobs filled by college graduates are constantly changing. Between 1970 and 1980, only about 80 percent of those college graduates who entered the labor force found professional, technical, managerial and other jobs that have traditionally required a college degree.

The remainder entered retail sales, service, farm, and blue collar jobs, occupations that in the past had employed very few college graduates. College graduates also experienced rising rates of unemployment during the 1970's. Although some of the increase can be attributed to economic conditions and generally higher levels of unemployment among all groups, it also reflects the larger supply of young college graduates searching for jobs.

In addition to the rising competition for jobs requiring a college education, college graduates often compete with high school graduates for many jobs that do not necessarily require a college degree.

In these cases, the college educated youth usually are more successful than those with only a high school education. This situation is likely to continue throughout the remainder of this decade, as more college graduates are expected to enter the labor market than there will be jobs requiring a college degree.

To conclude, the incidence of unemployment is traditionally highest among the youngest members of the labor force. By the time workers are 25 years old, labor force participation has risen, work is predominantly full time, and unemployment rates have fallen.

However, those having difficult labor market experiences as youth, particularly blacks and high school dropouts, are often the same ones who have difficulty moving from the youth job market into more permanent career employment.

Mr. Chairman, I would be glad to try to answer any questions you may have.

[An attachment to Mrs. Norwood's statement follows:]

Table 1. Employment status of the population by race and Hispanic origin, annual averages, 1975, 1979, and 1982

(Numbers in thousands)

| Employment status, race, and Hispanic origin | 1975 | | 1979 | | 1982 | |
|---|---|---|---|---|---|---|
| | 16 to 19 years | 20 to 24 years | 16 to 19 years | 20 to 24 years | 16 to 19 years | 20 to 24 years |
| TOTAL | | | | | | |
| Civilian noninstitutional population | 16,418 | 18,595 | 16,657 | 20,353 | 15,763 | 20,845 |
| Civilian labor force | 8,870 | 13,750 | 9,638 | 15,769 | 8,526 | 16,082 |
| Participation rate | 54.0 | 73.9 | 57.9 | 77.5 | 54.1 | 77.1 |
| Employed | 7,104 | 11,885 | 8,083 | 14,327 | 6,549 | 13,690 |
| Unemployed | 1,767 | 1,865 | 1,555 | 1,442 | 1,977 | 2,392 |
| Unemployment rate | 19.9 | 13.6 | 16.1 | 9.1 | 23.2 | 14.9 |
| Not in the labor force | 7,548 | 4,845 | 7,020 | 4,584 | 7,238 | 4,763 |
| White | | | | | | |
| Civilian noninstitutional population | 13,941 | 15,980 | 13,994 | 17,284 | 13,076 | 17,579 |
| Civilian labor force | 7,899 | 12,019 | 8,548 | 13,632 | 7,518 | 13,866 |
| Participation rate | 56.7 | 75.2 | 61.1 | 78.9 | 57.5 | 78.9 |
| Employed | 6,487 | 10,546 | 7,356 | 12,594 | 5,984 | 12,097 |
| Unemployed | 1,413 | 1,474 | 1,193 | 1,038 | 1,534 | 1,770 |
| Unemployment rate | 17.9 | 12.3 | 14.0 | 7.6 | 20.4 | 12.8 |
| Not in the labor force | 6,042 | 3,961 | 5,444 | 3,652 | 5,557 | 3,713 |
| Black | | | | | | |
| Civilian noninstitutional population | 2,191 | 2,228 | 2,276 | 2,556 | 2,252 | 2,697 |
| Civilian labor force | 838 | 1,477 | 912 | 1,793 | 824 | 1,849 |
| Participation rate | 38.2 | 66.3 | 40.1 | 70.1 | 36.6 | 68.6 |
| Employed | 507 | 1,115 | 579 | 1,424 | 428 | 1,283 |
| Unemployed | 330 | 362 | 333 | 369 | 396 | 565 |
| Unemployment rate | 39.5 | 24.5 | 36.5 | 20.6 | 48.0 | 30.6 |
| Not in the labor force | 1,353 | 751 | 1,364 | 761 | 1,429 | 848 |
| Hispanic origin | | | | | | |
| Civilian noninstitutional population | 962 | 996 | 1,095 | 1,296 | 1,182 | 1,421 |
| Civilian labor force | 444 | 697 | 551 | 960 | 530 | 1,031 |
| Participation rate | 46.2 | 70.0 | 50.3 | 74.1 | 44.8 | 72.6 |
| Employed | 322 | 581 | 445 | 860 | 371 | 848 |
| Unemployed | 123 | 116 | 106 | 100 | 159 | 183 |
| Unemployment rate | 27.7 | 16.7 | 19.2 | 10.4 | 29.9 | 17.7 |
| Not in the labor force | 518 | 299 | 545 | 336 | 652 | 390 |

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

SOURCE: Current Population Survey
Bureau of Labor Statistics
April 1983

Table 2. Unemployment rates for youth by State, 1980-82 (annual averages)

| States | 1980 | | | 1981 | | | 1982 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | 16-19 Years | 20-24 Years | Total | 16-19 Years | 20-24 Years | Total | 16-19 Years | 20-24 Years |
| United States | 7.1 | 17.7 | 11.5 | 7.5 | 19.6 | 12.3 | 9.5 | 23.2 | 14.9 |
| Alabama | 8.8 | 25.0 | 16.2 | 10.7 | 27.0 | 19.8 | 14.4 | 31.6 | 22.0 |
| Alaska | 9.7 | 21.0 | 14.1 | 9.3 | 15.7 | 11.4 | 9.9 | 17.5 | 14.3 |
| Arizona | 6.7 | 18.2 | 9.3 | 6.1 | 14.5 | 10.5 | 9.9 | 25.2 | 14.3 |
| Arkansas | 7.6 | 22.8 | 11.8 | 9.1 | 21.8 | 14.1 | 9.8 | 29.1 | 14.2 |
| California | 6.8 | 18.2 | 10.6 | 7.4 | 18.7 | 10.9 | 9.9 | 23.4 | 14.2 |
| Colorado | 5.9 | 15.8 | 9.4 | 5.5 | 18.7 | 9.1 | 7.7 | 18.6 | 11.0 |
| Connecticut | 5.9 | 17.5 | 11.5 | 6.2 | 17.2 | 8.5 | 6.9 | 18.3 | 11.3 |
| Delaware | 7.7 | 20.0 | 11.0 | 7.9 | 18.1 | 12.0 | 8.5 | 24.9 | 13.1 |
| District of Columbia | 7.3 | 25.6 | 13.9 | 9.0 | 34.8 | 18.1 | 10.6 | 36.9 | 21.8 |
| Florida | 5.9 | 18.1 | 8.1 | 6.8 | 19.4 | 10.3 | 8.2 | 22.6 | 11.6 |
| Georgia | 6.4 | 16.1 | 11.0 | 6.4 | 18.3 | 10.6 | 7.8 | 21.2 | 12.9 |
| Hawaii | 4.9 | 14.6 | 10.8 | 5.4 | 16.9 | 7.1 | 6.7 | 22.3 | 10.1 |
| Idaho | 7.9 | 17.3 | 12.8 | 7.6 | 18.2 | 12.0 | 9.8 | 18.4 | 15.3 |
| Illinois | 8.3 | 19.3 | 13.8 | 8.5 | 20.5 | 13.4 | 11.3 | 23.3 | 16.4 |
| Indiana | 9.6 | 21.8 | 15.3 | 10.1 | 20.6 | 16.7 | 11.9 | 24.8 | 18.2 |
| Iowa | 5.8 | 14.9 | 8.3 | 6.9 | 16.3 | 10.5 | 8.5 | 17.4 | 13.3 |
| Kansas | 4.5 | 11.6 | 7.2 | 4.2 | 10.4 | 7.5 | 6.3 | 11.6 | 8.9 |
| Kentucky | 8.0 | 20.2 | 13.3 | 8.4 | 22.5 | 13.3 | 10.6 | 27.6 | 16.5 |
| Louisiana | 6.7 | 19.5 | 11.8 | 8.4 | 21.0 | 11.6 | 10.3 | 27.6 | 16.6 |
| Maine | 7.8 | 17.9 | 10.4 | 7.2 | 18.1 | 9.0 | 8.6 | 22.8 | 14.0 |
| Maryland | 6.5 | 17.3 | 10.9 | 7.3 | 18.6 | 12.8 | 8.4 | 23.6 | 12.7 |
| Massachusetts | 5.6 | 14.0 | 8.6 | 6.4 | 15.9 | 9.3 | 7.9 | 21.4 | 10.7 |
| Michigan | 12.4 | 20.9 | 22.3 | 12.3 | 25.5 | 20.1 | 15.5 | 28.7 | 24.9 |
| Minnesota | 5.9 | 11.7 | 8.0 | 5.5 | 13.7 | 8.2 | 7.8 | 14.3 | 10.1 |
| Mississippi | 7.5 | 22.2 | 13.7 | 8.3 | 25.1 | 15.9 | 11.0 | 31.1 | 21.1 |
| Missouri | 7.2 | 16.2 | 12.4 | 7.7 | 17.1 | 12.6 | 9.2 | 21.7 | 15.1 |
| Montana | 6.1 | 16.2 | 9.4 | 6.9 | 19.2 | 10.7 | 8.6 | 19.8 | 13.3 |
| Nebraska | 4.1 | 10.3 | 6.6 | 4.1 | 9.9 | 5.8 | 6.1 | 16.2 | 8.8 |
| Nevada | 6.2 | 15.2 | 7.7 | 7.1 | 16.5 | 9.6 | 10.1 | 22.8 | 13.0 |
| New Hampshire | 4.7 | 12.4 | 6.7 | 5.0 | 15.4 | 7.1 | 7.4 | 16.2 | 9.9 |
| New Jersey | 7.2 | 20.2 | 12.0 | 7.3 | 23.2 | 11.4 | 9.0 | 22.5 | 14.8 |
| New Mexico | 7.5 | 21.2 | 12.1 | 7.3 | 21.9 | 13.3 | 9.2 | 24.2 | 15.0 |
| New York | 7.5 | 20.1 | 12.0 | 7.6 | 21.9 | 12.0 | 8.6 | 22.3 | 14.2 |
| North Carolina | 6.6 | 18.6 | 8.5 | 6.4 | 17.2 | 14.0 | 9.0 | 23.6 | 17.1 |
| North Dakota | 5.0 | 12.9 | 7.0 | 5.0 | 9.9 | 8.0 | 5.9 | 13.1 | 10.7 |
| Ohio | 8.4 | 17.7 | 13.0 | 9.6 | 23.1 | 14.4 | 12.5 | 27.5 | 18.5 |
| Oklahoma | 4.8 | 12.9 | 7.6 | 3.6 | 11.9 | 6.2 | 5.7 | 13.1 | 8.3 |
| Oregon | 8.3 | 17.7 | 13.9 | 9.9 | 22.8 | 16.9 | 11.5 | 25.6 | 18.8 |
| Pennsylvania | 7.8 | 19.8 | 13.8 | 8.4 | 20.3 | 14.3 | 10.9 | 23.3 | 16.2 |
| Rhode Island | 7.2 | 17.1 | 9.7 | 7.6 | 19.4 | 10.5 | 10.2 | 27.0 | 12.3 |
| South Carolina | 6.9 | 13.5 | 11.2 | 8.4 | 20.9 | 15.0 | 10.8 | 24.4 | 15.6 |
| South Dakota | 4.9 | 8.5 | 9.2 | 5.1 | 12.6 | 8.5 | 5.5 | 12.0 | 10.0 |
| Tennessee | 7.3 | 20.8 | 10.9 | 9.1 | 29.4 | 15.1 | 11.8 | 34.3 | 19.2 |
| Texas | 5.2 | 15.7 | 7.9 | 5.3 | 15.6 | 9.2 | 6.9 | 20.4 | 10.7 |
| Utah | 6.3 | 13.4 | 10.5 | 6.7 | 15.4 | 9.8 | 7.8 | 19.0 | 9.7 |
| Vermont | 6.4 | 12.3 | 9.0 | 5.7 | 13.1 | 9.8 | 6.9 | 17.4 | 12.0 |
| Virginia | 5.0 | 18.3 | 8.1 | 6.1 | 20.4 | 11.0 | 7.7 | 25.8 | 13.8 |
| Washington | 7.9 | 15.2 | 12.9 | 9.5 | 24.0 | 14.9 | 12.1 | 25.1 | 19.1 |
| West Virginia | 9.4 | 23.2 | 17.6 | 10.7 | 30.3 | 18.6 | 13.9 | 32.0 | 24.1 |
| Wisconsin | 7.2 | 17.4 | 10.6 | 7.8 | 17.9 | 13.5 | 10.7 | 21.6 | 16.4 |
| Wyoming | 4.0 | 9.4 | 7.1 | 4.1 | 11.8 | 7.3 | 5.8 | 13.0 | 11.0 |

SOURCE: Current Population Survey
Bureau of Labor Statistics
April 1983

Senator STAFFORD. Thank you, very much, indeed.

We are very pleased with your statement, Dr. Norwood.

Let me ask a couple of questions. The most startling figures seem to me to involve the low rate of participation of young blacks in the labor market.

Would you be willing to comment a bit further about that and tell us what might reverse that trend, if you have an observation on it?

Mrs. NORWOOD. I think that you have picked out one of the most important social problems that we have.

We tend, you know, in this country, to look at unemployment rates as though they explain all problems, but we have an employment-population ratio for especially black young males that is extraordinarily low, and in general, if one looks at the period of the entire decade of the 1970's, the employment-population ratios for young black males, both young males and even some of the older ones, has been trending downward.

Some of that, in the earlier period, was probably due, or has been explained at least in some of the economic research literature, as due to the shift from agriculture into the city; the movement of people from the farms to the cities.

Of course, that movement has been completed many years ago, and the problem now is much more one of a lack of skills and the lack of job opportunity.

Senator STAFFORD. It seems to me that city youths, regardless of race, seem to have more trouble in finding a job than those outside of the metropolitan areas.

Could you comment on why that might be true, also?

Mrs. NORWOOD. We have constantly a problem of job location, even for adults, in this country, and I think the problem is going to be one that we are going to have to pay more attention to in the future since we have structural changes going on in many industries in this country.

But we do have a concentration, particularly of much of our black and Hispanic population, in cities, and we have a general trend of jobs into suburbs.

Senator STAFFORD. Do you see any bright signs for the economy? We read nowadays that it is improving, and assuming that is a correct assumption, would you anticipate that as employment generally improves it could trickle down to the young unemployed in metropolitan areas?

Mrs. NORWOOD. Well, I would certainly hope, Mr. Chairman.

Obviously, the first thing that we need to improve the problems of any group in the labor force is a strong and expanding economy.

Senator STAFFORD. Are the young unemployed liable to begin moving in the direction of the Sunbelt States where the perception is that there may be better job opportunities?

Mrs. NORWOOD. There has, of course, been movement of some of the unemployed adults toward the Sunbelt. We keep reading about much of that in the newspapers.

We also, however, have the spreading of unemployment now into the oil and gas extraction industries which are located in the Sunbelt.

I don't see anything indicating any sharp difference for teenagers in that. Clearly, I do believe that for the population as a whole, jobs have been shifting and industry locations have been shifting, and that is something that is difficult for us to cope with, but I think we are going to have to pay more attention to that in the future than we have in the past, particularly with the structural declines in some of our industries, our durable goods manufacturing industries.

Senator STAFFORD. Thank you, very much, Doctor.

Senator Randolph.

Senator RANDOLPH. Thank you, very much, Mr. Chairman.

Dr. Norwood's testimony is informative; and, in a sense, disheartening. The statistics she presents today illustrates the obligation we, in public office at varying levels of government, have to be constant in our effort for proper type of aid, so that those of varying ages and positions in life can find work.

When I was the age of the group you are talking about, and giving emphasis to this morning, I lived in what we would call a rural area in a town of approximately 1,500. We had no difficulty finding part-time work while going to school.

Has that situation changed in the rural communities of America?

Mrs. NORWOOD. I am not sure that it really has in rural America. I think what we have is many fewer people living in rural America and particularly many fewer young people.

Senator RANDOLPH. I am going to ask you this question..

When I came to the Hill 50 years ago, we had a population in this country of approximately 135 million persons, if I am correct. Today, we have 100 million more persons in the United States of America, if I am correct.

Would you comment on the difference those 50 years made?

Mrs. NORWOOD. We clearly have a much larger number of people. The population has increased, and the labor force has increased, and I think that is a very important point for us to keep in mind.

What it says, really, is that even if there were no other change in the labor force, because the population is increasing, we have to have more jobs just to stay even. We have to keep running, almost, to stand still, and, then, of course, with increased participation in the labor force as young people are becoming more responsible and are expected, really, there are expectations as to work, and as we have more women coming into the labor market.

I am informed by Mr. Bregger, who is responsible in the Bureau of Labor Statistics for much of these data, that in 1933, the unemployment rate was 25 percent. In 1983, it is 10.4 percent, that is, of course, because we were at the height of depression in 1930.

Senator RANDOLPH. I remember those days when we were attempting, in the first 100 days of the Roosevelt administration, to employ people throughout the country, and the programs that we placed in operation at that tine are not outmoded now, Dr. Norwood.

We should be bringing them back. I do not nean to say by the same names, Civilian Conservation Corporation or WPA; I am not asking for that, but the same basis is here today as were present then, and we are not responding to them.

Is that correct?

Mrs. NORWOOD. As you know, I try not to make many comments or any comments on policy issues, but I think you are quite right that there is a serious problem and that our young people, particularly the disadvantaged young people, that is, our minority population, have serious problems that need to be dealt with.

Senator RANDOLPH. Yes.

The 10 or more percent unemployment is nationwide.

Mrs. NORWOOD. That is overall.

Senator RANDOLPH. As we understand, but in the State of West Virginia, it is 21.4 percent which is the highest in the Nation. There are various types of industries that are hard hit, industries like steel or coal or——

Mrs. NORWOOD. Machinery.

Senator RANDOLPH [continuing]. Aluminum or glass or mechanics, they are all there, and so we really are struck a very hard blow. I don't want to talk about West Virginia. I hope there is less unemployment in Vermont. I just hope that.

But it is a problem across the country. I did want to bring up the fact that I think a very important factor of the thirties, we sometimes overlook and now the eighties, is the difference of 100 million people in this country, more or less; is that right?

Mrs. NORWOOD. Yes, I think that is true.

Of course, the other thing that is important to remember is that we have experienced, during the whole period of the seventies, a large increase in the number of teenagers in the country.

In the eighties, we should have—that group should be somewhat smaller, and, therefore, the problems are hopefully more manageable.

Our labor force for 16- to 19-year-old blacks, for example, is 765,000 in the month of March 1983.

Now, it was much larger some years back. So it is a smaller group that we are looking at, and, therefore, should perhaps be easier to cope with.

Senator RANDOLPH. I wouldn't want you to go into policy matters, as you indicated, but today, we are a country that is highly unionized, is that correct?

Mrs. NORWOOD. Yes.

Senator RANDOLPH. 50 years ago it wasn't true.

Do labor unions feel that hiring of teenagers, at a lesser pay would begin to pull down the prevailing wage?

Mrs. NORWOOD. Well, teenagers, generally, are people who are filling jobs in industries, retail trade, for example, and other industries that are not very highly unionized, so I don't think that that is a very large issue.

There has been, of course, the issue that is currently before the Congress on minimum wage and the youth differential, but that is a different kind of question.

Senator RANDOLPH. You spoke of a certain number of teenagers who do not even make an attempt to enter the labor force.

I recall you saying "at all".

Mrs. NORWOOD. That is correct.

Senator **Randolph**. What is the reason, basically?

Mrs. **Norwood**. Well there are, of course, a number of reasons, but probably the most important is that people often feel that if there are no jobs available within the areas in which they can search for jobs, and if they have very little skill, that there may not be any opportunity for them and, therefore, they do not engage in job search.

We sometimes call these people discouraged workers; that is, those who would like a job, who are available for jobs but who are not looking for work because they believe that there is no job available for them.

Senator **Randolph**. Do you include teenagers in this group?

Mrs. **Norwood**. I would include some teenagers in this group, in particular, I think some of our minority and low income family teenagers.

Senator **Randolph**. I want to give you a layman's view and that is that teenagers are not being encouraged by the families of which they are a part of not only to look for work, but to stay on the jobs they have.

Do you think that is true?

Mrs. **Norwood**. I believe that the problems of young teenagers frequently are based upon the lack of education; on the low income homes that they frequently come from where there is very little hope and encouragement.

Senator **Randolph**. Are you saying the motivation is not present for the teenager; is that right?

Mrs. **Norwood**. I am saying that it is affected by the familiy situations from which they come, yes, very definitely. There are many reasons, of course, for those family situations.

Senator **Randolph**. What suggestions would you give to the Members of Congress? You give us statistics, you say you do not enter into policy decisions, but certainly, it is proper for you to suggest remedies especially when we have this huge backlog of unemployment in our country.

What would you suggest we can do as legislators? What can people generally do as employers? What can America do as a country to turn us around?

Mrs. **Norwood**. That the first requirement is recovery of the economy, an expanding economy. We have some signs of moderate employment growth since December so that there seems to be at least some encouraging information.

I think that we have some very serious specific structural problems, however, which will remain with us in the labor market, even after recovery is fully underway in this country.

One of them is clearly the problem of structural dislocation of industry and many workers who have been displaced from some of the durable manufacturing industries in this country, who are not going to be—they will be rehiring, but they will not be rehiring the full amount of the labor force they had had before.

We also have a problem in that many of our minority population, particularly the minority male population, both adults and teenagers, have a much harder time in the labor force and lack the kinds of skills that are necessary for them to be successful members of the labor force.

In addition, we have teenagers who lack the kind of educational experience; the kind of optimistic outlook that is required, I think, for successful labor market experience. I think that we need a combination of recovery and a focus of attention on some of these groups if we are to cope with the problems that we have.

Senator **Randolph**. You are very kind to allow me to take a little longer, Mr. Chairman, than I would ordinarily. You and I have been on the educational subcommittees as long as we have been on the Hill, I am sure.

I have a feeling that in our educational system, Dr. Norwood, we need more attention given, not only to the basics, of course, but also to industrial programs. Throughout the campuses of America there could be classes held after hours or optional or alternative programs that would help a teenager develop a skill and therefore have a better chance of finding a job.

I don't want to talk at length about the little college from which I come but we have a large assortment of optional courses.

I will give you just one quick illustration. One could take the regular courses, and then you could also, if you desire to and had a reason to want to go into it, you could learn to become a pilot of an aircraft.

I mean, the 20-year-old woman that piloted the plane I was on the other night from the Wheeling, Ohio County Airport to near the campus some 12 miles away at Benlund Field is an example.

This was a flight at night and up front was Nancy Packwood from Cleveland. She had come from the city in which there are many opportunities for education, to our college, because we had that optional program.

She was flying a single-engine aircraft. She can also fly twin-engine aircraft. I asked her about why she came to our school, and she said she came because there was the opportunity, as she saw it, to go into a profession where, perhaps not too many women had been employed, and she came just for that reason alone because she saw that we had those types of courses.

I singled this out because our chairman is a pilot, and we have this joint interest. I use this to illustrate that perhaps our educational system, at many levels, is not giving students the opportunities to be an aircraft mechanic; or a pilot; or any number of other trades and professions.

What do you think about that?

Mrs. **Norwood**. It is quite clear that our educational system is in large part responsible for training our young people so that they will be able to cope in the world of work, and the more innovative the programs can be, the better off these people will be.

We have a lot of people, however, perhaps not so large in total numbers but nevertheless, a significant group who drop out of school and who are not reached by the educational system after a particular period of time.

Those, too, are a group of people that we need to be concerned about.

Senator **Randolph**. Thank you, Mr. Chairman.

Senator **Stafford**. Thank you, very much, Senator Randolph and Dr. Norwood.

We are very grateful to you. I am going to reserve the right to members who aren't able to be here this morning to send some questions in writing if that is agreeable.

Mrs. NORWOOD. Fine.

Senator STAFFORD. We are very grateful to you helping us out.

Mrs. NORWOOD. Thank you.

Senator STAFFORD. The next witness will be Mr. David Mahoney, chairman of Norton Simon, Inc.

Mr. Mahoney, we welcome you here and appreciate your coming down.

We have your full written statement. We would be pleased if you might summarize the statement and let us put it in the record, but you proceed as you wish.

## STATEMENT OF DAVID J. MAHONEY, CHAIRMAN, NORTON SIMON, INC., ACCOMPANIED BY ROBERT WALTER, CHIEF FINANCIAL OFFICER

Mr. MAHONEY. Good morning, Mr. Chairman and members of the committee.

I am David Mahoney, chairman of Norton Simon, Inc.

Norton Simon, Inc., is one of the world's leading marketers of quality consumer products and services in the food, vehicle rental, cosmetics and fashion, beverage, and packaging fields.

Our operating companies include Hunt-Wesson Foods, Avis, Max-Factor, Somerset Importers, the McCall Pattern Co., Halston, the Glass Containers Corp. and the United Can Co.

I am accompanied today by Robert Walter, the chief financial officer for Norton Simon.

We are pleased to appear before you to discuss, from a businessman's perspective, the legislation which this committee is considering today, the Public Investment Jobs Act; S. 724; the Rebuilding of America Act; S. 23; and the Public Investment Incentives Act; S. 532.

I view these bills as complimentary in their objectives. Taken together, they address three of the most urgent issues facing our Nation: (1) The need to rebuild our Nation's infrastructure and to plan for its future maintenance and repair; (2) the need to improve Federal capital budgeting, planning, and financing practices; and (3) the need to provide increased job opportunities for over 11 million unemployed American workers.

Mr. Chairman, I commend you and your committee for your leadership and foresight in proposing programs and policies to meet these critical needs. My remarks today will focus on how key aspects of each bill will address these needs.

Senator Moynihan's Rebuilding of America Act includes three provisions which are essential for enabling America to do an effective, cost-efficient job of revitalizing its infrastructure.

First, it would require a national inventory of public capital improvements. Second, the bill would require the creation of a national public improvements plan for the long-term development and maintenance of our infrastructure. Third, it would have the General Accounting Office create a model unified Federal budget which would include a breakdown of public capital investments.

These provisions embody the fundamental principles of capital planning and budgeting which we use in business—and, I might add, which the Government requires us to use in business.

I believe these principles apply equally as well to Government, because there are important similarities in public and private sector needs for capital investment. Both of us need to invest for the future. Both of us have to deal with limited resources. And, both of us need to base our decisions on complete and accurate information.

The Rebuilding of America Act's inventory would, for the first time, provide Government decisionmakers and the American people with a comprehensive accurate assessment of our Nation's capital assets.

This would provide an objective basis for the long-range planning so necessary to repair our public facilities and to maintain them so that the present infrastructure crisis does not recur.

Projects approved by the Congress as a result of such long-range planning could then be aggregated within a Federal capital budget in much the same way that business uses a capital budget to differentiate between current operating costs and investments.

This type of separation would show Government, the business community, and the public exactly how much of the Federal budget is going for current expenses and how much is being invested in America.

In encouraging the use of capital budgeting by the Government, let me make it very clear that I recognize all aspects of business accounting are not applicable to the Federal Governemnt.

A Federal capital budget would not be identical to the capital budget that we at Norton Simon and other businesses use. However, the use of a Federal capital budget within the unified budget process would give all of us a more accurate perspective on Government fiscal policy and its impact on the econony.

Senator Domenici's legislation, the Public Investment Incentives Act, which Senator Randolph has joined in sponsoring, is a logical extension of Senator Moynihan's bill.

It allows for the creation of federally subsidized financing institutions within the States to fund capital projects. The proposal recognizes that the challenge before America is not only to plan for orderly infrastructure maintenance and development, but also to develop new financing mechanisms to carry out these plans.

Mr. Chairman, I have prepared a detailed proposal of my ideas for financing public capital investments, which, if we may, we will present to you and the members of your committee for the hearing record.

Senator STAFFORD. Without objection, we will make that part of the hearing record.

Mr. MAHONEY. Thank you.

The essence of this proposal is that a standard project-specific cost benefit analysis be adopted for evaluating all Federal capital investment projects.

The analysis would consider both the short- and long-term impact of each project, including financing, maintenance and replacement costs.

Authorized capital investment proposals would become part of a Federal capital budget to be used for cross-cutting analysis and long-range strategic planning for capital investments within a unified budgeting process.

Project-specific financing would lead each Federal capital project through the following procedures:

First, a cost benefit summary would form the basis for each item in the capital budget and would accompany each capital item in the budget justifications sent to Congress.

Second, a modified capital budget would be created to list the Government's capital requirements, by program, for the foreseeable future. The capital budget would be sent to Congress with supporting appropriations requests as part of the unified budgeting process:

Third, Congress would authorize a financing package for each authorized capital program. The package could consist of user charges and agency borrowings from the Treasury, plus appropriated funds to cover any gap between user charge revenues and the agency's capital requirements. In addition, financing packages could include financing by State and local governments or by private sector entities which could recieve a return on their investment through federally authorized user charges.

This project-specific approach, using private sector capital planning principles, I believe, is fully supportive of the needs this committee has so well identified in its proposed legislation.

First, to provide Governments at the Federal, State, and local levels with complete cost-benefit data on capital investment projects,. and, second, to permit flexible capital financing procedures so that the Federal Government can leverage the impact of its investments by encouraging greater State and local government and private sector financing of public projects.

Now, turning to the Public Investment Jobs Act, S. 724, Mr. Chairman, this legislation deals forthrightly with two of our Nation's greatest unsolved problems: repair of ourcrumbling infrastructure, and putting unemployed young Americans to work.

As you and Senator Randolph recognize in proposing this legislation, the gas tax bill enacted last year and this year's supplemental appropriations bill are but a small step toward answering the country's infrastructure and employment needs.

The public infrastructure is the circulatory system of our econony. Without the system, our economy would collapse; employees would not get to work; our products could not get to market.

Enactment of S. 724 will get more Federal matching funds out to the States which will help them meet the estimated $2.5 trillion to $3 trillion challenge of maintaining adequate service from our Nation's infrastructure during the 1980's.

In addition, this legislation, through the Young Adults Conservation Corps, will give more of our young people the opportunity to work at a real job and learn what it feels like to have an active role in building the future of America.

Giving the youth of America the chance to hold a responsible job is an issue of close personal concern to me. Fifty years ago in his first inaugural address, President Roosevelt said, "Our greatest primary task is to put people to work."

As a child growing up in the Bronx, I believed in those words then, and I feel just as strongly about them today.

Unemployment is a threat to every citizen. And it is not a problem which will be solved by Government action alone. Those of us in the private sector have to play our part to put this Nation back to work with effective programs that provide both a job and training to do the job.

I would like to tell you about a youth employment program which we have used successfully at Norton Simon, Inc., and which I believe could be easily adopted by other companies.

In 1979, we made a commitment to provide 250 full-time jobs or 1 percent of our domestic work force—I stress the figure 1 percent—to disadvantaged youth. Our youth employment support, YES program, as it is called, has been an unprecedented success. We have extended our initial goal by more than 40 percent, bringing the number of youth on our full-time payroll to 533, with a turnover rate of only 8 percent.

To say that this program, has always enjoyed positive results would be misleading. Much like Government's attempts at jobs programs, we have had our knocks along the way. Following the program's inception, our turnover rate was in the neighborhood of 40 percent—a discouraging figure not only to us, but to the participants as well.

After careful analysis we discovered, just as the Federal Government did, that taking poorly educated, unskilled workers and placing them in dead end entry level jobs does little good for the employee or the employer. Experience has taught us that the only way to achieve satisfaction for both parties is to help the participants help themselves. That is the bottom line.

A good worker is someone who is confident in his or her ability to do the job. A good employee is someone who believes that dedication and hard work will be repaid with advancement. The young people in our program did not share in this hopeful attitude initially, a fact which should come as no surprise in light of the continuing disappointments that they have suffered over the years.

So, after some of our early disappointments, we took the YES program back to the drawing board and made the necessary changes.

First, we decentralized the responsibility for the ongoing administration of the program, including recruitment, placement, and counseling from NSI headquarters, and placed it in the hands of the personnel managers and company line officials at each of our facilities. This enabled the participants to receive personalized, individual attention. Their needs are now more readily identified, and we are more able to accurately monitor their progress.

Second, we allowed the young people to collect a paycheck while they participated in an outside training and education program before coming to work. The theory being, that the initial training investment pays off in the level of confidence and skills they acquire and eventually bring to the company.

And, last, fiscal responsibility for any additional training was shifted away from the operating department budgets, and handled through our personnel departments. This eliminated the temptation to hire only those people who required the least amount of training. The YES program is designed to help the disadvantaged worker, not simply the unemployed worker.

The greatest testimony to our achievement is not the low turnover rate or the reforms in the program, but the many success stories of our participants. One case that comes to mind is that of a young woman who entered the program over a year ago. At that time, she was out of work; without a high school diploma; the mother of a young baby and was living with and dependent upon her parents for support. Our program provided her with a chance to not only complete her high school education, but also to work part time while doing so.

Since graduation, she has worked full time at the facility where she was initially employed. She has her own home and, more importantly, a renewed sense of self-worth. She plans to further her education as an ongoing participant in the program and to remain with us, I hope, indefinitely. She has recently taken on a supervisory role and continues to learn and grow.

Another example is a young man who came on board just last spring. Our program is financing his education at a State technical school where he is pursuing a career in mechanical technology while working part time at one of our plants. His primary assignment was in the maintenance department, but recently, he was assigned to the finance and personnel area and is gaining responsibility with each project.

These two cases are only examples of what can be achieved if a program properly meets the needs of the participants. We do not hand any of these people free privileges or offer them an easy way out.

We do give them respect and dignity and offer them support in their efforts to improve themselves. In return, we expect from them what we do from all of our employees; a full day of hard, honest work.

When we announced this program, we urged others in the private sector to follow suit—keep in mind this was 1979—few have done so.

If the 1,000 largest industrial companies in the United States and the 50 largest banks and retailers each were to hire only 10 disadvantaged youths for every thousand employees in their ranks—which is our 1 percent—this would create 200,000 new jobs.

In the universe of almost 11 million now on the unemployment list, 200,00 new jobs is not much of a dent, but it would be a beginning. And I don't believe it would cost the Federal Government one dollar.

If you have companies in your States who would be interested in learning how our program works, we would be happy to share our experience with them.

As the economy recovers, the overall employment problem will decrease, but youth unemployment and unemployment among displaced workers will not unless special efforts are made and made now, such as the Young Adults Conservation Corps.

If we continue to ignore our unemployed young people, their dissatisfaction and their disappointment will grow and fester. I fear that perhaps someday it will become irreversible.

Our country, for all of its imperfections, is far too strong, far too rich, and far too caring to allow that to happen.

So in summary, I would like to express my support for all three pieces of legislation that are being considered today.

I would like to, again, commend this committee for taking such a thoughtful and active role in meeting America's infrastructure and employment needs.

As somebody who constantly has to be planning 5, 10, and 20 years down the road for the future of a company, it gives me great confidence in congressional leadership to see you taking an interest in these long-term issues. These aren't glamorous by a long shot. They are tough problems which will require hard work and difficult choices to solve. Through your foresight and initiative, you are proving how much the Government does care about creating a brighter future for our country and its people.

Mr. Chairman, thank you again for the opportunity to express my views on these issues. Mr. Walter and I would be happy to respond to any questions from you.

Before we do, however, if I could make just one more comment, Mr. Chairman. The capital budget we have talked about that would make important contributions to repairing America's infrastructure. But I gather from listening a little bit this morning that the emphasis at today's session is unemployment.

I would like to ad lib, if I may, for just a minute or so on that.

Senator STAFFORD. Certainly.

Mr. MAHONEY. Because that is where the ballgame really is. As I said, having grown up through the Depression years, there has to be hope, Mr. Chairman. Just summer jobs aren't the answer. They have to be entry level jobs, because with an entry level job comes hope, and with it comes training.

There were many people who sat around kitchens during the Depression and heard mothers and fathers talking about how they were even going to make it; what it was going to be like from here; what were their hopes, and that was America. As we know, America came through.

I am somewhat concerned when you talk about *x* number of summer jobs, that it could be a handout deal. When we went with our 1-percent program, those jobs were for real. They would provide training; that was required.

It was my feeling then, and it remains so now, that no company can be positive that they are 100-percent right in their hiring policy. All I ask for is 1 percent. That youth hires represent one percent. I was told in 1979, that the union wouldn't allow me to do it, and the blacks and the whites would object, and this and that and so forth. But the fact of the matter is, everyone had cooperated.

I believe in the hiring of 200,000 of these diadvantaged youths and getting them off the streets—which is one question. But, more importantly, I believe in giving them hope and desire and giving them an idea of what this country is all about. How far they can go begins with a dream, and that begins with a job.

As we get this unemployment rate down, I hope, from 11 percent, I don't believe it is going to reduce significantly the problem that we will have with 30 to 50 percent unemployment among disadvantaged teenagers. That is one of my major concerns. S.724, particularly, addresses this concern, and would help to lead us in the right direction.

I thank you, sir.

Senator STAFFORD. Thank you very much, Mr. Mahoney, for your important statement and the time and trouble you have gone to in helping this committee face a difficult situation for the country and a considerable problem for us.

I don't know whether you had a chance to hear any of Dr. Norwood's testimony or not. She discussed some of the figures regarding youth employment. Do you see much evidence that industry, as a whole, sees youth unemployment as a real problem? Do you see any possibility that growing youth problems will still limit the amount of the industry in this country to compete in world markets?

Mr. MAHONEY. Mr. Chairman, I did not hear the testimony prior to mine, but I don't know if it is a question of the impact of youth unemployment spilling over into world markets. That is perhaps another subject into itself, dealing with skill levels. But, I would submit to you, that as we move more and more into a computer society or an information society, the skill levels that we have to compete with are going to increase. That goes back to what I was trying to say before.

There has to be training. We need to provide entry level jobs. I don't know what the lady was saying before, but numbers in themselves can be misleading. I am not sure this country will be a high tech economy or should be. You know better than I do. But I do know that those kids coming up should be in college or trade schools; something has to be done with them.

When we talk about unemployment numbers in this country, whether they are acceptable or not at 11 percent, or if that figure is inaccurate, that is one question. But I will give you an example of how many young people want to work. Perhaps this is not the answer, but I think it responds to a question, sir, that you had.

I was driving some years ago through the Bedford-Stuyvesant section, and there is a building there that turned out to be a public building. I don't know what it was, but it was lined five people deep all the way around with maybe 2,000 people. In the car with me was Frank Thomas, who is head of the Ford Foundation. I said, "Frank, what is that over there, a demonstration or a riot?" He said, "Why don't you go over and ask?" This was in June, I guess, of 1979.

I went over, and this is true; I found out they were looking for work permits. That was entirely different than these stereotypes that "nobody wanted to work," "nobody wants jobs." These kids did not just want handouts.

When I got back in the car, he said, "How many do you think are going to get jobs? They will be lucky if it is 5 percent." It took care of 5, but the other 95 percent had a disillusion factor. I am concerned for this country. What are we going to be left with if our young people have no hope and no ambition? When we talk about the future of competing with the Japanese and the Germans; and when we talk about capital budgets, we have to realize that. We are going to need our young people. They are our future. I think we should provide entry level jobs, and I think even the union staff who works with Mr. Kirkland understand that. They are not holding us back.

You will find it in any bureaucracy, all organizations. When they don't have enough resources; when they have to cut back—cut this; cut that—one of the first places they cut is training. Yet, at the same time, if you don't train, I think the future is pretty bleak. I think the CCC that we went through in the 1930's and the new programs are a step in the right direction.

How do we do it, Mr. Chairman? I really don't care exactly how—as long as they have jobs, have a future and get trained and believe in the future. Because if they don't, I don't know what we will have left.

Senator **STAFFORD**. Mr. Mahoney, would you be willing to answer written questions from committee members who could not be here this morning?

Mr. **MAHONEY**. Certainly.

Senator **STAFFORD**. Then I will reserve my questions to submit them in writing.

Senator Randolph?

Senator **RANDOLPH**. Mr. Mahoney, in 1932, we had not only a Democratic and Republican candidate for the President, but we also had a Communist ticket as a candidate for President. Mr. Earl Bradley received 200,000 votes. I said then and I repeat now that it was not because those persons voting were Communists, per se, but they were just looking for something, and that was a job.

Do you know that is right?

Mr. **MAHONEY**. Senator Randolph, I think people always are looking for a job, and I think that is good that they get work. I am more concerned about people that want to work but cannot. The fact of the matter is I think people do look for jobs, but I can't say whether they would turn to the Communist Party, the Socialist Party, the Democratic Party or the Republican Party. There are many things aside from jobs that can bring in situations politically that we wouldn't want. But I think that it is within the rights of the American citizens, such as the right to vote.

Senator **RANDOLPH**. And we don't vote, of course.

Mr. **MAHONEY**. That serves, as well. I think we do a pretty bad job at it right now. I think over 53, 54 percent of the eligible voters are not voting.

Senator **RANDOLPH**. And the youth vote, 18, 19, and 20 is now 25 percent.

Mr. **MAHONEY**. Sir, I would accept that number.

But, going back to your first question, what concerns me, as I am trying to say this morning, is that youth is what it is all about. That is our future. Our future is not in the past. I think we are not doing enough work to get these people jobs and training. How do we do it? American industry has not done as good a job as it can.

The chairman asked the question before, "Is American industry aware of that?" I think we can be aware of a lot of things. I think we are judged on what we accomplish. I'm not so sure that we should be very proud of what we have accomplished: Democrat, Republican, or whatever. I don't believe you can afford that 45 to 50 percent of unemployment within any group.

Senator **Randolph**. Thank you.

Senator **Stafford**. Thank you, Senator Randolph.

We are very happy that Senator Bentsen has joined us this morning. Do you have any questions or statements, Senator?

Senator **Bentsen**. I would just like to congratulate the gentleman for his testimony. I think they all start out wanting a job. I think a lot of people finally, amongst our youth, have given up, and I think that is a very dangerous situation. I can't think of anything more denegrating that you can do than to say to someone that they have no gainful role to play in society.

I would say as the toughest, hard hearted fiscal conservative, you can't afford that. You can't afford for the rest of the society to support that segment or our society.

That is if you had no compassion and no concern to what happens to that individual. I don't think any of us are in that position. I do think business has not fulfilled its role, and business has, in general—and I am generalizing—has looked really to the balance sheet and the bottom line figure too often and left it up to government to try to step in there and do things.

I am just delighted to see someone in your responsible position taking the kind of leadership role as you are.

Mr. **Mahoney**. Well, Senator, I appreciate that—the sentiments of it—because I consider myself a fiscally conservative Republican businessman. We keep talking about the bottom line, and there are all kinds of bottom lines, but youth unemployment is a bottom line. It is an important part of what makes it up. We have been critical, Republicans or businessmen, of throwing money at these kinds of things. The question is, can we do it better than government can? That is why I don't understand why we don't get people who say, "OK, we will take them in." That is the pragmatic approach.

The point you made about the American approach of reaching out and taking care of our own is absolutely correct. Who else is going to take care of them? I think that business can and should do better. I think they have tried, and I know that over the past 4 or 5 years we are pretty pleased with our record.

Initially, sir, our Youth Employment Program did create a lot of problems, as I touched on before you came in. But we noticed that the policing came from the participants. The boys and the girls all of a sudden got the problem kids to change. We had 80 percent that didn't come to work in the morning when we first started. They never had had a job. They didn't know what discipline was. But, before long, they were coming and they were producing. As we moved them out into other jobs, they made sure their successors did their jobs.

I think that is the root of all training. We all need training when we are in grade school or any other time we are starting something new. So, I appreciate your concern, Senator.

Senator **Bentsen**. I came in a little late. Let me ask you this. You said you had a turnover rate of only 8 percent, finally, is that correct?

Mr. **Mahoney**. Initially, sir, it was running about 40 percent until the second or third year, and now it is down to 8 percent. Basically, I think it is because the program has its own merit. I would assume with many other programs, that in early days, the turnover rate was high. The reason I pinpointed that, Mr. Senator, is that people tell me that the turnover rate would be 25 or 30 percent. I think that could be true initially, but I think that percentage will come down as people are trained and really have a purpose, and as you assess the program as you go along.

That is the purpose for bringing them in, sir.

Senator **Bentsen**. Thank you very much, Mr. Chairman.

Senator **Stafford**. Thank you very much, Senator Bentsen.

Senator Randolph, did you have questions?

Senator **Randolph**. Thank you, Mr. Chairman.

In your organization, Mr. Mahoney, there are many companies, isn't that correct?

Mr. **Mahoney**. Yes, sir.

Senator **Randolph**. You have done something that we wish was widespread. I feel that, and I express it.

How do you suggest that the type of activity that you have been carrying forward, how does that fit in the profit-loss structure in other companies that have not yet adopted it or perhaps are reluctant, not feeling that what you have done can be done widespread with success?

Mr. **Mahoney**. Senator, I could argue either side of that issue for you. Let me tell you what those who have been through the program say: We have some people say we create a problem we don't need, we can't afford it, we have got to cut back; the botton line, as Senator Bentsen was saying.

My side is the other side of the issue. I don't think any company is more than 99 percent accurate, and that includes the Congress, if I may say so, at any single time. So the 1 percent we are asking for really doesn't affect the bottom line that much. I just do not see it.

If you, on the other hand, were saying, 10 or 12 or 15 percent, I suppose I would have to get worried about it. But I think most companies risk 1 percent before luncheon any day in the week. I mean, that is our role—to take chances, to reach out, to find out.

When you say to me, "Can you be wrong?" I will say I am probably wrong on that 1 percent on my bottom line. And then I also have to consider that 1 percent from the tax point of view. So it is argued by some that that 1 percent is totally nonproductive, but I don't believe so.

The point I am trying to make, sir, is why the other companies don't do it. I think there are a lot of reasons. You have got to train those people; you have got to find positions for them. In no case did we allow them to displace anybody. We just said, 'You don't fire somebody or bring somebody in."

They are not summer jobs. I place a key difference between the summer job and an entry level job. A summer job is something you always have, and we have a lot of them for washing cars and doing all of that. I am not even counting those or, let's say, McDonalds, which needs more kids to work in the summer. I am talking about a place where a kid has a start; where he is willing to go to night school if it makes sense or can do something for him. I think if more companies offered disadvantaged young people jobs, it would become sufficiently fulfilling. Why they don't do it, I think you would have to find that out from other chief executives other than myself.

Senator **Randolph**. Thank you very much. I would say that is a forthright statement.

Senator **Stafford**. Let me thank you for all the committee, Mr. Mahoney. Certainly, your companies have set an example that this committee wishes were being followed by other indus- tries around the country.

As you say, 200,000 jobs doesn't attack the figure of the unemployed very greatly, but it is a wonderful place to begin, and we wish it were happening elsewhere.

Thank you very much for coming.

Mr. **Mahoney**. Thank you for having me. I greatly respect people like yourself. I know that someone is listening, and that is what it is all about. My respects.

Senator **Stafford**. Thank you, sir.

Next, the committee will hear a panel consisting of Christopher M. Mould, general counsel of the YMCA of the United States; Mr. Thomas H. Ripley, manager of Natural Resources, Tennessee Valley Authority; William Spring, president, Boston Private Industry Council; and Sidney Howe, executive director, Human Environment Center.

Gentlemen, one of the problems we have on this committee is that we never have time to do things as thoroughly as we could, especially to listen to distinguished witnesses who we know have both travelled and worked at some length to prepare their appearances here.

So, it is with apologies, in view of the fact the committee is going to have to end at 12 o'clock today, that I am going to ask you to summarize your statements in about 5 minutes. Your full statements will appear in the record as if read.

To give us all a benchmark to shoot by, I have this ultramodern computer here that runs 5 minutes. When the sand is gone, the 5 minutes are up. I don't have any particular thought on what order we go in. If you have no preference, we might start at my left, your right, and go across the table in that direction.

## STATEMENT OF THOMAS H. RIPLEY, MANAGER, NATURAL RESOURCES, TENNESSEE VALLEY AUTHORITY

Mr. **Ripley**. Mr. Chairman, I am Tom Ripley, manager of Natural Resources for TVA. It is a pleasure to share with this subcommittee the Tennessee Valley Authority's experience with conservation oriented work programs.

Our experience is rich in tradition and historic background. In the 1930's, thousands of Civilian Conservation Corps recruits became part of TVA's effort to rebuild the resources of the Tennessee Valley. They planted 130 million seedlings to rebuild the region's forests and stabilize an eroding land base.

I think it is very significant that these trees now provide the resource base for a still growing, a multi-billion dollar forest industry that today employs some 60,000 employees.

Corpsmen worked on nearly 10,000 erosion control projects in the early years. They created five demonstration parks along TVA lakeshores and these became the forerunners of an excellent State park system that we now have in the valley.

In much more recent times at Land Between The Lakes, TVA's 170,000-acre outdoor recreation area and conservation education learning laboratory, thousands of youngsters literally have learned about the out-of-doors by working in the out-of-doors. So TVA became an enthusiastic participant in the national youth conservation work programs as they developed. With funding from the United States Department of the Interior and also the United States Department of Agriculture, TVA began a summer youth program in 1976. In cooperation with the U.S. Department of Interior, we have been involved in the year-round young adult conservation corps (YACC) program since 1977.

The results, by any measure, are impressive and I would like to summarize a few points if I may, Mr. Chairman.

Over 5,800 valley young people have been provided meaningful employment with on-the-job skill training and help in developing a positive work ethic;

More than $17.5 million in needed conservation and resource development projects have been completed;

Total work completed has had a positive benefit-cost return;

Over $7 million in hard-earned wages have been paid to otherwise unemployed valley young people as a part of the total investment.

The range of grassroots programs that these young people carried out is equally impressive. It includes weatherization of public buildings, development and maintenance of recreational facilities, reforestation, improvements to wildlife habitat, reclamation of surface mines, and restoration of historic structures.

It is evident that the benefits of these projects go far beyond the actual work accomplished, the lands reclaimed, the trees planted, and the community improvements that they have made. They extend to a growing appreciation by us, as adults of the latent talent in the generation rising behind us.

No one can guarantee the success of any specific proposal to assure the prudent use of resources, whether those resources be human or natural. Some programs, overly paternalistic, have actually handicapped the people they intended to help. But our experience, Mr. Chairman, spanning nearly a half century, has been that creative and cost-effective projects can be developed.

I would be pleased to answer any questions the subcommittee might have.

Senator STAFFORD. Thank you very much, sir.

We are ready for the next witness. Would you identify yourself, gentlemen.

## STATEMENT OF SYDNEY HOWE, EXECUTIVE DIRECTOR, HUMAN ENVIRONMENT CENTER

Mr. HOWE. Mr. Chairman, I am Syd Howe with the Human Environment Center here in Washington.

We want to comment particularly on the Young Adult Conservation Corps component of S. 724. We request that our written statment filed with your staff be included in the record.

Senator STAFFORD. That will be the case for every witness.

Mr. HOWE. Thank you.

Our center advances the common aims of urban, minority and conservation interests, and we find that the employment of young men and women in urban and rural conservation work is one of the foremost common aims of those interests. We have been studying the conservation corps phenomenon for over 2½ years, including its history, the recently curtailed Federal corps programs, and the State operated programs.

We also serve as a meeting ground and a service center for many national interests seeking a new national conservation corps.

We commend your recognition in this bill of the dire needs of jobless youth and wasting resources and your promotion of the proven conservation corps concept to help meet those needs—and at a funding level that would have real impact. A $1½ billion conservation corps would signal to neglected youth that this society does care about them, and it would turn degraded natural and community resources into productive assets for economic recovery and the long term national welfare.

We have submitted a number of specific comments on the bill. We want now to emphasize the high promise of conservation corps programs for public support and their promise to meet urgent national needs.

There has been a history of bi-partisan support for these programs. The 50th anniversary of the CCC celebrated this year has seen that bi-partisan support coming out all over the country, as it will be throughout this year. The programs recently lost had rather low visibility, but people at large understand conservation corps programs, and many of them revere the CCC's of the 30's. The proven conservation corps record is one of resource productivity, of the lowest-cost labor-intensive work that public land agencies can secure, and of youth gains that are essentially free because the conservation mission pays for itself.

Many States are seeing the light of these programs. The California Conservation Corps, with 1,800 youth enrolled, has solid bi-partisan support. Ohio, Connecticut, Minnesota, Iowa, and the TVA have active year-round programs. Several states are now advancing legislation to create year-round programs: Florida, New York, Massachusetts, Alaska, Washington, Oregon, Wisconsin, and others are considering such programs. Through your bill, the Federal Government would join in close partnership with these and other States, but many States are going ahead regardless of the Federal outcome.

Just a few points from our detailed comments on S. 724. We think the bill could contain more reference to urban projects, because it is important that a corps function in urban areas. We think the conservation agencies of State and Federal Government need to show their relevance for urban people. And surely, the pride that many youth will gain from doing this work, some of it right in their own communities, will be heightened by visible results right in those communities.

We note that no state matching funds would be required, and we think they should be. The absence of real State participation in the funding of the past programs may have been a major cause of their demise, because those programs were not visible in State legislatures and in State media.

The bill contains no provision for youth work on private lands, with the private owner reimbursing the agency concerned for private benefits. We think such a provision could cause a great deal of youth employment and conservation at little public cost and without displacing other workers.

We certainly do not mean to say that this has been a comprehensive analysis of all the potentials and concerns the YACC element of this bill. Nor do we mean to belittle, by lack of comment, its many strong features.

Mr. Chairman, as you know, other conservation corps legislation is active in the Congress. The American Conservation Corps bill has passed the House twice, most recently by the overwhelming vote of 301 to 87. Every one of the the public witnesses at the Senate hearing held on that bill last September, asked for enactment soon. There is now an extensive record of conservation corps opinions, ideas and positive lessons before this Congress, from many hearings in the House and in the Senate.

It seems to us that enough time has gone by. The people are speaking when the House votes 301 to 87, and, with many thanks for your own efforts, it would seem that the time has come for Congress to move with a can-do attitude and form a national conservation corps. We would like to help you and your staff in any way that our further studies can.

I would like now to read a very brief separate statement on behalf of several groups, with regard to the broader contents of S. 724: We want to note for the record that several organizations have reviewed the pending legislation and have a statement in preparation for the committee. These organizations are especially supportive of the provisions in S. 724 which recognize the importance of public park and recreation systems as an element of the proposed infrastructure improvement program. Oganizations supporting the inclusion of park resources in this bill include: The National Committee for Urban Recreation; National Parks and Conservation Association; National Recreation and Park Association; Trust for Public Land, and others. I hope that this joint statement will be made part of the record. Thank you. (See p. 494.)

Senator STAFFORD. We will make it part of the record without objection.

Thank you very much, sir.

We would be pleased to hear the next witness.

## STATEMENT OF WILLIAM SPRING, FORMER ASSOCIATE DIRECTOR, WHITE HOUSE DOMESTIC POLICY STAFF

Mr. SPRING. Mr. Chairman, my name is William Spring. I served in the Carter White House as Associate Director of Domestic Policy Staff and Employment Policy and before that, from 1963 on, through Senator Gaylord Nelson, finally, on the staff of the Employment and Poverty Subcommittee for some years.

It is a particular pleasure for me to testify on the youth provisions of S. 724, as I was involved, as you were, Mr. Chairman, in the putting together of the collaborative effort between the Carter administration and the Senate and the House, when the Youth Employment Demonstration Projects Act was coupled together in the spring of 1977.

You were the author, the chief sponsor of the YCCIP proposal. Senator Jackson pushed hard on the YACC. Both of those proposals were enacted into law, and they operated with enormous effectiveness, in my judgment. I have included in my testimony, which will be in the record, Mr. Robert Taggart, whose analysis, efficient guide, and assessment of training in remediation strategies, I think, is generally recognized as the most authoritative.

In this country where we tend to throw things away, Senator Randolph has been for years trying to get the CCC revived. We had it once for a brief 4 years. Now it is gone. I am one, and I think the whole panel, welcome your leadership in efforts to bring it back. It seems to me we have something that works. It is broad and politically popular. It is something you ought to go with.

I wanted to comment: I now work in Boston. I am president of the Boston Private Industrial Council there, which, as you know, under the Job Training Partnership Act, has responsibility and acts as a board of directors for employment training programs. I am not speaking on behalf of the PIC at this time. I am speaking only for myself. I work, in fact, as a consultant to Frank Morris, the president of the Federal Reserve Bank in Boston who has hired me to help him in his chairmanship of that council and the Tri-Lateral Council for Quality Education, also of Boston.

I want to make a couple of comments that are more general, and then a few remarks on the legislation. First, in general, I agree with the testimony about the unemployment rate. I think that the starkness of the impact on very poor kids still is a loss. We know it is quite dreadful. We knew in 1979 when unemployment was 5.3 percent 3.3 million young people had been unemployed for 15 weeks or more. Now we are up to 9.7 in the last year. That was the highest unemployment we had reached since the 1976 recession.

While the number of unemployed black young people is relatively small, 300,000 or 400,000, the most terrifying figures are the labor force participation—David Mahoney was referring to that—where something like 55, 57 percent of the 16 to 19 year old white young people are either unemployed or looking for work. Only 36 percent of black young people are, and half of them can't find it.

You are describing a situation which Hubert Humphrey used to use on the Senate floor back even in the fifties talking about "Social dynamite in our cities."

In Boston, we have tried to do something about that. The Boston Private Industry Council, Boston City, under the leadership of Mayor White, under the leadership of Robert Spillane and the school district, have formed something called the Boston compact. I don't know if the work has trickled down to Washington by Bill Dyperman, in Rolling Stones, of all places about what we are trying to do.

Basically, we have taken the Mahoney plan and made it citywide. We have almost 150 signed up to agree for priority training for qualified Boston high school graduates. It is a bargain. It is a real agreement, because the school has always agreed to undertake the systemwide employment from high schools. To measure our dropout rate, now about 45, 47 percent in high school, dropouts are people who want to get jobs when they graduate, and on the quality of math and reading for people in school.

Almost as frightening of the dropout rate is the fraction; maybe 30 percent of the young people in high school who are not reading well enough to read high school work. We have a real crisis here. It seems to me that the YCCIP concept, which you originated to do something about the widely held view that many work experience programs for young people were little more than transfer programs. You wanted a program which had a blueprint, which had the supervision, and which had a tangible product.

The evaluation shows that at a cost of something like $2,900 per participant, which is relatively low, that the CCIP program worked. You have done it in Vermont; we have the Northeast weatherization program in Boston.

All over the country, there were programs that were literally effective.

Some of the money used in the Youth Employment Demonstration Projects Act was used for a kind of enriched YCCIP program, the VICI program, Ventures in Community Improvements it was called, in that program, they added another L, which was a conscious L to provide vocational skills, more supervision, leadership and education, usually from union journeymen. I just wanted to include, as I say, Taggart's analysis of that as something you want to think of as you mark up this legislation.

In terms of wage gain in employment after they left the employment, the people in the VICI program faired better than the YCCIP and other work experience programs.

There are three interlocked problems in youth unemployment which have to be understood if we are to make progress: One is just plain unemployment. Unemployment is high. A lot of kids are out of work. Your program moves on that.

Second, however, is that many, many kids lack the basic skills they need to survive in the world as it is growing, and I think you ought to consider how you can move beyond just your provision for credit in schools, for work experience to actually tie into other ways for basic skills.

Finally, there is institutional infrastructure, which is missing, which is providing a link to private sector jobs. I think that that is something else you ought to consider as you move forward within legislation.

Finally, no one has mentioned the changing demographics in the next decade. By 1995, we will have 20 percent fewer 16 to 24 year olds in the country. That is just demographics; 25 percent fewer white people. With any kind of economic growth in this country, we are going to need the trained hands, the instructive minds, and the willing hearts of all of our young people. If we don't start building the institutions now to bring them along, we are going to face an even worse crisis at that point.

I applaud the committee's work on this bill, and stand ready to support it in any way I can.

Thank you very much, Mr. Chairman.

Senator **Stafford**. Thank you very much, Mr. Spring. Nice to have you back here. I guess Mr. Mould, if I do not mispronounce your name, that you are automatically going to be next.

## STATEMENT OF CHRISTOPOHER M. MOULD, GENERAL COUNSEL, YMCA OF THE UNITED STATES

Mr. **Mould**. Thank you, Mr. Chairman. I am Chris Mould, general counsel of the UMCA of the USA. I appear today on behalf of the National Collaboration for Youth. The National Collaboration for Youth is composed of 12 national voluntary youth-serving organizations. The agencies specifically endorsing our prepared text are: The American Red Cross; Big Brothers/Big Sisters of America; Boys' Clubs of America; Camp Fire, Inc.; Future Homemakers of America; Girl Scouts of the USA; Girls Clubs of America; The National Board, YWCA of the USA; United Neighborhood Centers of America; and the YMCA of the U.S.A. The Collaboration serves together, a total of 25 million young people under the age of 19, one-third the total youth population of that age.

We have taken a look at the provisions of title V of S. 724 and measured them against the principles which our experience with youth convinces us are essential to the successful development and implementation of effective youth employment policies and programs. I would like to highlight the specific points made in our written statement.

First is the matter of the role of nonprofits in the legislation. We are pleased with the inclusion of both community-based organizations and nonprofit organizations as project applicants for the youth community conservation and improvement projects.

Similarly, we support the use of the definition of community-based organizations from the Job Training Partnership Act, which includes agencies serving youth. We also commend the authorized participation of nonprofit organizations in the Young Adult Conservation Corps. The National Collaboration for Youth agencies have demonstrated their effectiveness in providing a broad range of employment, training, and supportive services to youth.

Because the Job Training Partnership Act does not allow nonprofit and community-based organizations to serve as referral sources for participants, we believe it is important to specify their inclusion in section 516 of this bill. This will enhance not only the cooperative approach among public agencies but the collaborative effort between the public and not-for-profit sectors which are a vital part of any successful job program for youth.

Second is the matter of eligible youth. We urge that the definition of eligible youth for both the youth community improvement projects and the Conservation Corps include the categories of youth experiencing severe handicaps as described in section 543 of the bill. We support the mainstreaming approach of including youth of different life experiences in such a job program to provide them with the opportunity of working together.

Third, any jobs legislation, in our view, should encourage services that link employment and education. When the educational component is included in the youth employment programs, post-program employment and earnings have noticeably increased, even for dropout youth. We strongly support the requirement that proposed YCCIP agreements include arrangements to provide basic literacy skills and opportunities for continuing education, job training, and job skill development.

We also call for opportunities for participants to become knowledgeable of the requirements in the job market for related trade and occupations they may wish to enter. In fact, we note that section 544 of the bill, under the heading "Academic Credit, Education Credit, Counseling and Placement Services and Basic Skills Development," actually provides only for academic credit.

Counseling and placement services should be explicitly included.

Fourth, we are concerned about projects which involve replacing asbestos in public schools and the removal of ureaformaldehyde foam insulation from low-income and elderly housing. Exposure to such hazardous substances is particularly dangerous to the health of young people, and stringent precautions must be taken if these projects are included.

We also recommend that supervisory personnel of youth employment projects be knowledgeable of health and safety factors necessary for the welfare of the youth employed, and we urge that projects be required to provide a safe work environment along with health and safety education for enrollees and staff.

On behalf of the National Collaboration for Youth, I would offer our assistance in providing successful program models or other information for your further deliberations. We thank you for the opportunity to testify.

Senator STAFFORD. Well, gentlemen, for the committee, I want to express our appreciation to all four of you for the time and trouble you have taken to prepare testimony and to be here. As I said earlier, your full statements will appear in the record. In view of the time constraints on the committee's chairman, I am going to ask if you would all be willing to answer a few questions in writing for your response, at your early convenience, if that is agreeable to the committee.

With that, again, I say we are very grateful to you for taking the time and trouble to be here with us today. Thank you.

The final witnesses before the committee this morning will be the Honorable Alan Karcher, who is speaker of the New Jersey Assembly, on behalf of the National Conference of State Legislatures, and Dr. John Peterson, Director of Government Finance Research Center.

If you would both be willing to come to the table, the chairman will again repeat our apology for time compression, which seems to catch up with us. I am summoned to a meeting with the majority leader and the other chairmen at 12. So we have got about 16 minutes to finish this hearing. I feel badly about that with two such distinguished witnesses, but we will do the best we can, and Mr. Speaker, we are particularly honored that you would be willing to come down here. We will be glad to hear you.

## STATEMENT OF HON. ALAN J. KARCHER, SPEAKER OF THE NEW JERSEY GENERAL ASSEMBLY

Mr. KARCHER. Thank you. Let me say that I perfectly understand your time constraints. I will try to go into my most rapidfire speech pattern.

First of all, let me thank you for the opportunity to speak today. We had waited and wanted to speak today on behalf of the National Conference of State Legislatures because last week they held a State-Federal assembly, and I wanted to report to you on the outcome of that meeting; also, to assure you that the prominence of the infrastructure will retain a high if not the highest priority for the National Conference this summer.

Let me briefly tell you that the NCSL and its 7,500 members of State legislators, that the position as of this moment is in favor of the concept of a national infrastructure bank. We have several issues on which we have made tentative decisions.

First of all, the National Conference does not feel that there is any need or any benefit to be attained by a new assessment of infrastructure needs being done at the national level. We feel that the States and the agencies of the Federal Government who are already involved in infrastructure projects have covered that more than adequately and a new effort might not only be counterproductive but time consuming if we were to go into a new assessment. So we do not feel that that is necessary.

As to the concept of an infrastructure bank, the National Conference finds what is most attractive is that we might obtain new funds with maximum flexibility. I would indicate that with regard to the past record of involvement with Federal programs on the State level, there is a track record that the empirical data would show that any time the Federal Government has been involved on a State infrastructure project, that the time consumed in staff work is 10 times as great; and that the time consumed in actually doing the project is at least doubled. At least that has been the experience of my own State. So that one of the things that we want to stress is that the States really are very strong on obtaining maximum flexibility.

The third thing that there is unity on already, is that any Federal legislation should not retain any bias for new construction. The maintenance and upkeep of the existing infrastructure is as important to the States and to the local governments as any priority that could be given to new construction. What we already have is the pride of our Nation and the envy of the world, and we have to recognize and acknowledge that the maintenance of that should be given at least an equal priority with any mandate for new construction.

The bottom line, of course, is that we do need money. Of course, as you can well understand, there is perfect and total unity on that matter.

There are some questions. As you may know, my State, New Jersey, under my sponsorship along with the minority leader, have introduced legislation to create an infrastucture bank. That proposal is now pending for consideration. That action in New Jersey is symbolic and significant, and has really been sent as a signal to our mayors and county executives that the State is not sleeping. We perceived a need, and we are ready to fill it. The questions we have in my own State are reflected and narrowed in what the national conference has done, as well. I just want to itemize those, because they are those things that are still troublesome for us in New Jersey as we consider the creation of the infrastructure bank, and I am sure that is true throughout the Nation.

First of all, we want to have some clarification, with the creation of a Federal infrastructure program, on what will come of all the traditional redtape and bureaucratic maze that we have all suffered from in the past. There is a crying need for the definition of user fee and how that will be structured. For example, whether a gasoline tax or a motor registration charge would be a sufficient user fee or whether it would have to be specifically a toll.

We have to resolve the question of repayment and repayment schedules and what kind of flexibility the individual States would have. My State, for instance—and I do not want to be parochial—but in Jersey City, Camden, the idea of having a tight time constraint for repayment of any loan makes those loans really impossible to be even considered. States need the flexibility to structure and to create their own underwriting standards.

We want to make sure, of course, that there will be some predictability so when we do identify on the State level a steady stream of income, that that will be a steady stream of income that we can rely upon it so we can project our projects out into the future.

Last but not least, as we are considering the infrastructure bank legislation in New Jersey, we want to make sure and have some additional definition to be certain that the structure that we are considering establishing in New Jersey, as the other States will also be considering, whether it will meet the Federal standards and what exactly those standards will be for the creation of a bank on a local basis.

I thank you for your time, and I yield to my friend, Dr. Peterson.

Senator **Stafford**. Thank you, Mr. Speaker.

Dr. Peterson, we would be glad to hear from you now.

## STATEMENT OF JOHN E. PETERSON, DIRECTOR, GOVERNMENT FINANCE RESEARCH CENTER, MUNICIPAL FINANCE OFFICERS ASSOCIATION

Mr. **Peterson**. I am pleased to be here. I am speaking on my own behalf, and my views are not necessarily those of the Government Finance Research Center or the Municipal Finance Officers Association. I do not know if I can speak as rapidly as the Speaker, a very apropos title, but I will try and get my views into the record as quickly as possible.

My view is that any general assistance program to State and local governments should be simply, long range and designed to encourage self-sustaining capital spending behavior.

Thanks to a change in economic and political circumstances in this country, none of our governmental revenue raising mechanisms is in very good shape. Domestic government spending has been in a programed and prolonged decline. Spending for construction and maintenance has fared poorly in contrast to current operating outlays and transfer payments. The infrastructure, the physical plant of the public sector, is in decline.

The deteriorating condition of public capital stock is widely documented. But there appears to be no clear agreement on what to do about the problem or who should pay for the need of enhancement.

In my opinion, the Federal Government has an interest in declining the extent of it and potential solutions to the problems. The bills presented in this hearing are useful in focusing discussions on the hard practicalities on both scores: should the Federal Government undertake a large-scale inventory of the need for public infrastructure? Should it provide large amounts of resources to finance solutions? To what extent should it seek to reorder State and local priorities or to make more rational its own capital outlay decisions?

Frankly, I believe that we need much more study of possible solutions, including the feasibility of developing uniform standards of capital need and the problems of developing the proper institutional and continuing financial support for improvements.

I am a researcher, so of course, we need more study. You understand that.

Too much of public works spending has been the sole province of the engineer, architect and fiscal planner with the finance folks and their awkward questions regarding affordability and long-term financial support relegated to the background.

I would hope that the committee, perhaps in the context of S. 23, will provide institutional focus to the need for such studies. By the way, I strongly recommend that the envisaged in S. 23 actively solicit and work with the individual States in drafting their public improvements strategies. Here I accompany the comments of Speaker Karcher.

I would also use the word strategy when you talk about this capital plan as opposed to the word plan, since the latter term implies a singularity of control and purpose that is neither realistic nor appropriate. Any plan, any strategy, to be successful must contemplate what is going to be occuring in the 50 States and several thousand local jurisdictions. I think it is, frankly, unrealistic to attempt a detailed prescription on a local government or even a State by State basis. This is best left to the recipient sector.

My final point on the need for this research is the need to avoid an expensive line item detailed inventory of facilities. A well designed sampling procedure, I think, is much to be preferred. The hard problem is not counting financial objects or trying to describe their condition, but deciding on the strategy to finance the appropriate and affordable level of improvement and who should pick up the tab.

I would now like to comment on title I, public capital investment of S. 724.

Overall, the idea of a matching program to stimulate or sustain capital spending acknowledges the national interest in public infrastructure, while leaving most of the mechanics up to city governments. It is uncertain, however, that the creation of such a fund will necessarily increase the spending in capital. As I read the bill, Federal contributions must be met by State contributions. Nothing is said about disbursements from the fund. Maybe the money will sit in the find for a while and earn interest. So the preservation of funds through the requirement that its capital corpus be replenished is a good idea, although it may be difficult to control.

Here are some section-by-section observations: Section 102. I am not convinced that the Army Corps of Engineers is the best administering entity. It strikes me that the administratives needs are limited and might best be lodged in the Department of Treasury or the Department of Commerce, both of which have experience in the administration of such loan and grant programs.

Section 103. To receive 50-percent matching funds—a ration which I believe, by the way, is appropriate—a State must devise a plan to provide for the use of moneys. Eventually the key ingredients are the recipient State must assure that a special fund is established to be used exclusively for capital improvements and to be maintained for the forseeable future through repayments and revenue from other sources.

There is also the requirement that facilities financed by the funds be maintained and repaired on a scheduled basis. The mechanics and enforceability of these provisions are not clear. Is it the intent to maintain the fund at some specific level? If so, will grants need to be replaced on a one-for-one basis? Can the loans made from it be considered assets and thus preserve the fund's level, though not its liquidity? What is meant by the availability of funds at the termination of the title?

No future level of the fund is stipulated, that is, after the live of the title. Should there be a requirement that the fund be financed so that all Federal funds received will be replaced within a certain number of years that they are received? I believe the operation of the fund needs more examination so that everyone knows what he is getting.

I would suggest that the plan contemplated focus on establishing criteria rather than assembling lengthy priority lists. I also believe that there should be assurance that the recipients can afford the improvements, and by this, I mean the operation and maintenance over the life of the project.

The 'big city' passthrough is a political neccesity, perhaps, but it may not lead to the optimum distribution of benefits.

Section 104. The allocation formula proposed, I believe, unduly weights the highway factor and benefits the low density States. My preference would be to include some measure of tax or revenue effort in relationship to capacity, since that would aid both the importance of the government sector in the various States and the differential capacity of the States to finance it.

Probably a straight per capita distribution or adoption of the general revenue sharing formula for distribution among the States would be most appropriate.

I would like to conclude by saying that I think there is a need for a State contribution into the fund. The States do have a stake, and I also believe that there should be an avoidance of a limitation on the maturity of loans made. I think that this is one peculiar area where such a fund might be able to assist, and that is by providing such things as advances, that is, at zero loans, very long maturity loans which we now find extremely difficult to get in the private markets.

The fund should not be viewed as a cure-all, but I believe if properly designed, that we can resolve some of these problems and might meet some of the very long-term capital gaps that we have in the public sector. That concludes my comments.

Senator **Stafford**. Gentlemen, I thank you very much, indeed. I apologize for the time constraints we found ourselves in. For the committee, I ask, first, that if you might be willing to answer a few questions in writing, likely, they will be submitted; and second, I want to express the committee's appreciation to you both for being understanding as well as being here and helping us out.

Thank you very much.

Mr. **Karcher**. Thank you, sir.

Mr. **Peterson**. Thank you.

Senator **Stafford**. The committee stands adjourned, subject to the call of the Chair.

[Whereupon, at 12 p.m., the committee was recessed, subject to the call of the Chair.]

[Statements submitted for the record follow:]

**U. S. Department of Labor**

Commissioner for
Bureau of Labor Statistics
Washington, D.C. 20212

MAY 2 1983

Honorable Robert T. Stafford
Chairman, Committee on Environment
and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you very much for inviting me to testify before your Committee on Environment and Public Works on the employment-related problems faced by our Nation's youth. As requested in your April 18 letter, I have provided answers to the two additional questions. If I can be of further assistance, please do not hesitate to contact me again.

Sincerely yours,

Janet L Norwood

JANET L. NORWOOD
Commissioner

Enclosures

Question: What can you tell us about female youth unemployment and the problems young women have in entering the labor market?

Answer : The labor market participation rates for women between the ages of 16 and 24 have risen continuously since the mid-1960's; correspondingly, the participation gap between young men and young women has narrowed considerably. Among the many changes which interacted to increase young women's labor force participation have been increases in school enrollment and educational levels, a greater tendency to hold jobs while still in school, and changes in marital and childbearing patterns. In March 1983, the labor force participation rate for teenage women was 45.8 percent, compared with 50.4 percent for teenage men. Among young adults 20 to 24 years, participation rates were 68.7 percent for women and 82.2 percent for men.

Jobless rates among teenage and young adult women are only slightly below those for men. Comparative figures are shown below for March 1983.

|  | Unemployment rate |
|---|---|
| 16 to 19, total.... | 23.5 |
| Women............ | 21.5 |
| Men.............. | 25.3 |
| 20 to 24, total.... | 15.4 |
| Women............ | 14.1 |
| Men.............. | 16.8 |

Though there are few differences in the unemployment experiences of male and female teenagers and young adults, it should be noted that the average weekly earnings of employed male youths are noticeably higher than that of their female counterparts and that this earnings discrepancy persists and increases with age.

Question: How reliable do you believe the current statistics are that measure the unemployment rates for various youth groups? Assuming various degrees of economic recovery over the next two years, how much can these figures be expected to change?

Answer : The Current Population Survey sample, from which the unemployment rates are obtained, is large enough so that the chances are 9 out of 10 that the error for a change in the monthly unemployment rate of teenagers is no more than plus or minus 1.3 percentage points. In other words, if the unemployment rate for teenagers for a given month were 20 percent, data users could be 90-percent confident that a real change in the subsequent month's figure would have occurred if it were more than 21.3 percent or less than 18.7 percent.

The amount of error for each youth subgroup varies according to its labor force size--the larger the group, the smaller the amount of error; conversely, the smaller the group, the greater the degree of variance. Changes in the monthly unemployment rate for 20 to 24 year-olds are subject to an error of plus or minus eight-tenths of a percentage point, while among black teens, a much smaller population group, the error jumps to plus or minus 5.1 percentage points. It is higher yet for black teenage males and females separately--in excess of 7 percentage points.

While the Bureau of Labor Statistics can provide a wide variety of data on the current labor market situation and past trends, it does not undertake the task of forecasting future trends in unemployment. Therefore, we cannot estimate the expected change in the unemployment rate of youth in the near future. In 1979, however, just prior to the two recent recessions, jobless rates averaged 16.1 percent for teenagers and 9.0 percent for 20 to 24 year-olds.

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# FINANCING FEDERAL CAPITAL INVESTMENTS:
## A PROJECT-SPECIFIC APPROACH

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DAVID J. MAHONEY
Chairman and Chief Executive Officer
NORTON SIMON INC.

December 2, 1982

## I. INTRODUCTION

This paper proposes a set of rational procedures and controls which can be applied to the capital appropriations process. None of them is new. They have all been tried to greater or lesser degrees and found to work. What is new about the proposal is the idea that these procedures should be integrated consistently as required policies throughout the federal government.

A standard project-specific cost-benefit analysis should be adopted for evaluating all federal capital investment proposals. The analysis would consider both the short and long-term impact of each proposal, including financing, maintenance, and replacement costs. Authorized capital investment proposals would become part of a federal capital budget to be used for crosscutting analysis and long range strategic planning for capital investments within a unified budgeting process.

Project-specific financing would, if implemented, bring increased logic and control to the federal budget process. It would accomplish a number of objectives:

- impose a more uniform government-wide policy regarding user fees, discount rates, cost-benefit analyses, access to revenues, and agency borrowing authority;

- establish more quantitative criteria in public debates over choosing among expensive, capital intensive projects;

- enable Congress to choose more effectively among capital versus current outlays;

- enable this country to plan more effectively for the orderly upkeep and replacement of its public infrastructure.

The concluding portion of this paper presents case studies to show how capital planning is also affected by the way government agencies are organized. To be able to engage in project-specific financing, for example, some agencies (e.g. Southeastern Power Administration) would have to be granted borrowing authority. Other agencies would need to be given greater control over the fees they collect, so that they could plan for capital outlays based on their revenues as many government agencies do.

The result of applying these controls, procedures, and forms of organization can be a more effective capital program for our country. To apply these policies, however, will require discipline and dedication to the precept that in a democracy the citizens are the ones who ensure the economic viability of the country. This precept applies to us as individuals in the management of our personal finances. It certainly applies to business executives and the members of boards of directors, in the management of stockholder equity. We should expect no less of our national board of directors, the Congress, in the management of our federal assets.

## II. THE NEED FOR A NEW APPROACH

In fiscal year 1983, 155.3 billion dollars of the federal government's on-budget outlays will be for capital investments.[1] This twenty percent of the federal budget is out of control. The Congress authorized these expenditures without reviewing meaningful cost-benefit data for most of the projects included in the total. There was no accounting of what maintenance and repair costs for these projects are likely to be over their useful life, or even what their useful life will be.

In addition, there was no consideration of how these projects will affect each other, because the projects were authorized in action on thirteen separate appropriations bills. At no time were capital investment projects considered together in terms of their financing requirements and long-term maintenance and replacement costs. There was no coordinated long-range planning for the impact of these investments on future budgets or on the nation's future needs and priorities.

It is essential that the federal government act immediately to bring its capital expenditures under control. Here are four issues confronting the nation's economy and the federal budget which explain why action is urgent.

- The country has awakened to the need to rebuild and improve our chronically deteriorating public infrastructure, especially our transportation system. Many of the links in the interstate highway system have outlived their useful lives. Thousands of bridges across the country are unsafe and in need of substantial repair or replacement. Our seaports are generally behind those of other countries in their ability to handle the new generation of efficient, deep-draft ships. Some estimates peg the bill for infrastructure repair and improvement at a minimum of $1 trillion.

- Unemployment rates have reached 10.4 percent, the highest level since the Great Depression. Over eleven and one-half million people cannot find work, and most economic forecasters paint a rather bleak job picture for the next two years. Under these circumstances, there is strong political pressure to invest large amounts of money for employment related public works projects, even if this means running the federal budget deeper into the red.

- The public debt now exceeds one trillion dollars. There is bipartisan concern that federal budget deficits, which already have reached unacceptable levels, will rise even higher in the coming fiscal year. The deficit has grown from approximately two percent of the gross national product (60 billion dollars) two years ago, to nearly four percent of the gross national product (110.9 billion dollars) last year. The Congressional Budget Office projects a 155 billion dollar deficit for Fiscal Year 1983. That would equal nearly five percent of the gross national product, and some economists project a deficit approaching $ 200 billion for FY 1983.

- A rising proportion of so-called "relatively uncontrollable" federal spending[2] threatens to choke off discretionary programs such as capital projects. These uncontrollable outlays have been taking over an increasingly large share of the budget for the past 15 years, and now consume more than three-fourths of total appropriations (See Figure I). Their growth has left less and less room in the budget for other programs, including the bulk of federal capital spending.

These four issues underscore an important economic reality which governs the capital financing debate and which ultimately defines the limits of government action. No capital outlay is cost-free. A solution to the capital financing dilemma is not a matter of creating funds where none existed before. Public capital investments are paid for by the few through mechanisms such as user fees, or by the many through direct taxes such as the income tax. Sometimes we attempt to pass the costs of government on to future generations by borrowing. At other times, the present generation pays for the costs of excessive borrowing through deficits which contribute to higher interest rates and inflation.

One of the primary functions of elected representatives in a democracy is to decide who shall bear these costs of government. It is clear, however, that under the shortcomings of the federal budget process, Congress has produced a distribution of costs which is neither equitable nor sensible. By allowing the federal deficit to explode as it has, Congress has acted as if borrowed money were cost-free. It has made an implicit decision that the real costs shall be distributed through inflation, a large debt burden, and cutbacks in controllable programs.

The following sections of this paper offer a way of placing the decision-making process on track with regard to financing capital items in the federal budget. Ironically, many "solutions" to the problem are already in place in the federal budget system and merely await more consistent and disciplined use.

## III. THE CAPITAL APPROPRIATIONS PROCESS: THE CASE FOR A PROJECT-SPECIFIC APPROACH

The federal government should adopt a project specific approach to finance its capital investments. The steps involved in such an approach are used in whole or in part by state and local governments, private companies, and the federal government. The federal government should take the next step of consistently adopting these procedures in planning and financing all of its capital investments.

Project-specific financing consists of a set of managerial and economic controls which can be applied to federal capital outlays. It can be especially useful when applied to those outlays where the government is engaged in entrepreneurial functions. Project-specific financing would lead each federal capital project through the following four-step procedure insofar as possible:

1. Cost-benefit analysis. In project-specific financing, a cost-benefit summary would form the basis for each item in the capital budget (see below) and would accompany each capital item in the budget justifications sent to Congress.[3] (A description of cost-benefit analysis is included in Appendix I.)

2. Capital Budget. A federal capital budget would list the government's capital requirements, by program, for the forseeable future, and would enable the government to plan the timely repair and replacement of the nation's capital stock. The capital budget would be sent to Congress with supporting appropriations requests as part of the unified budgeting process.

3. Financing package. Under project-specific financing, Congress would authorize a financing package for each capital program. Where an agency is authorized to impose user charges, the package could consist of agency borrowings from the Treasury, plus appropriated funds to cover any gap between user charge revenues and the agency's capital requirements.

To implement the borrowing in such a financing package, an agency would exchange revenue bonds at the Treasury for the capital funds. Agency borrowings from the Treasury are authorized today in many instances. In cases where it could be shown that the federal government as a whole could enjoy extraordinary net gains from a capital program, special borrowings could be authorized on the basis of these general revenue gains. In addition, a financing package could include financing by state and local governments, or by private sector entities who could receive a return on their investment through federally authorized user charges.

4. User charges. As described in Section VI, the federal government engages in scores of activities where it charges user fees. The fee system, however, is inconsistent and does not benefit the government to the extent it should. By linking agency borrowing authority to the collection of revenues, project-specific financing emphasizes the need to place federal entrepreneurial functions on as business-like a basis as possible. An important aspect of the user fee system under project-specific financing is that the agency be given some control over the revenues it collects.

How does project-specific financing differ from present practices?

The conventional model of federal agency capital financing starts with the agency's program requests, which are reviewed by the Office of Management and Budget (OMB) before being incorporated in the federal budget as a whole. At this stage, agencies frequently present some form of cost-benefit analysis to the OMB budget examiner. However, there is no uniformity in these cost-benefit analyses, and no requirements that they include life-cycle costs. In addition, even these limited cost-benefit figures rarely reach the congressmen who make the budget decisions. What Congress typically receives, in addition to the budget document, is only a descriptive justification of each proposed outlay.

During the authorization and appropriations process, Congress has the opportunity to question agency officials, and could request additional cost-benefit data. Unfortunately, the budget process has become so frenzied that in-depth discussion of specific program cost and benefit figures becomes practically impossible. It is hard enough to get the Congress to pass an appropriations bill on time. During the past two decades, 85 percent of government appropriations bills have been enacted after the start of the fiscal year to which they applied. This year is a good example. So far, only three of thirteen appropriations bills have been passed.

Once Congress has acted, appropriated monies are paid from the Treasury, which in turn borrows funds to bring its tax and other revenues up to the budget totals. This simple model is shown schematically in Figure II.

In contrast to this process, project-specific financing places more emphasis on cost-benefit analyses at the stage of congressional and public deliberations. By making more widespread use of agency revenue bonds and linking them to user charges -it also offers a disciplined approach to user fee determination, and gives agencies the incentive to operate with more attention to the costs and efficiency of their programs. (See Figure III).

The case for project-specific financing rests on the proposition that a federal capital outlay is, in one important respect, much the same as one in the private sector. It is an investment which promises a future return. In the government setting, the "return" may be social as well as economic, but often it is largely economic. Even where a program appears to provide a predominantly social benefit, the social benefit usually can be quantified as an economic benefit. For example, a capital investment for equipment to be used in a job training program may appear to have no quantifiable economic benefit, until one recognizes that if that equipment helps 10,000 people get jobs, it removes them from the unemployment rolls and turns them into taxpayers, thereby decreasing government outlays and increasing revenues. Any costs associated with monitoring the transition from job trainee to taxpaying employee should be included in the final cost-benefit analysis.

The essential point is that the capital budgeting process in Washington is amenable to rational and consistent controls over appropriations and financing. The following sections explain these controls in the light of current practices.

## IV. THE PROCEDURAL CONTROLS IN PROJECT-SPECIFIC FINANCING: A CLOSER LOOK

- Cost-Benefit Analyses
- Capital Budgeting
- Financing Packages
- User Charges

Most of the procedures necessary to implement project-specific financing are authorized in one form or another today. They are not radical or unworkable. They are, however, inconsistently applied, and this impedes the financing process. A closer look at the procedural controls in project-specific financing is needed to compare current practice with a more rational and disciplined system.

## Cost-Benefit Analyses

The Office of Management and Budget, in Circular No. A-11, instructs agencies to base their program justifications on quantified performance indicators "whenever appropriate"[4], and it supplies them with guidelines on how to calculate present value for the purpose of finding cost-benefit ratios.[5] In a number of statutes relating to water supply, soil conversation, and navigation projects, Congress has required cost-benefit analyses and defined the discount rate to be used in making them.[6]

Despite these guidelines, the government's record in developing cost-benefit analyses is spotty. The General Accounting Office has criticized the government's misuse of cost-benefit calculations.[7] The Congress does not receive cost-benefit analyses to the degree it should.[8] There is no consistent discount rate policy government-wide, and the current OMB Circular, which sets a ten percent discount rate, has not been revised in more than ten years.

Because Congress holds the appropriations power, it can require more stringent cost-benefit accounting in the budget requests submitted to it. Congress also can and should develop a consistent discount rate policy for Federal capital projects. As will be shown below, the cases where cost-benefit analysis is successfully carried out by the government show that a cost-benefit approach is entirely appropriate for analyzing federal capital investment outlays.

## Capital Budgeting

Several legislative proposals before the Congress would direct the federal government to institute a capital investment budget, based on private sector capital budgeting practices. This approach has many strong advantages. A capital budget would provide a clear and logical framework with which to analyze and plan for the long range costs and benefits of federal investments in the context of overall budget priorities.

At the present time, capital items in the federal budget are treated for planning and accounting purposes as if they were disposible items such as paper and copier fluid. This misrepresents federal deficits by ignoring the value of the government's assets. There is no mechanism for determining how much capital stock the government actually owns or how fast it is depreciating or appreciating.

In addition, in reviewing agency budget requests one frequently sees capital outlay requests justified with the explanation that the funds are needed to replace obsolete equipment which is difficult to repair. Seldom in these requests is there information on the useful lives or anticipated maintenance and repair costs of existing or proposed investments. If such data were prepared and included in a capital budget, the government could conduct long-range planning to avoid emergency fluctuations in capital requests and smooth out the budget process.

Thus, a capital budget could help to prevent the very kind of fiscal bind we find ourselves in now, where a rising tide of "uncontrollables" is coming face to face with long neglected (but easily foreseen, given proper planning) capital needs.

*Capital budgeting techniques such as cost-benefit and financing package analyses, would provide policymakers with the information necessary to make informed decisions about allocating scarce funds among competing projects*. At the present time there is usually insufficient information for the Congress to use in selecting among proposed capital projects. A capital budget would focus attention on the investment nature of capital outlays, in which costs -- and benefits -- are seen in a longer time frame.

*A final important advantage of the capital budget is that it would place federal borrowing in better perspective than at present*. As the description of project-specific financing indicates, borrowing to finance a productive capital outlay usually enhances a corporate or governmental balance sheet. (One sign that a corporation is headed for trouble is when it must borrow large sums to meet current expenses.)

Currently, there is no formal system of determining whether federal borrowing has been made to cover current or capital expenditures. A capital budget would aggregate investments on which the government could expect a return, and would establish a direct relationship between the funding for such programs and user fees or other returns on investment. This would provide a clear explanation for the public of the logical matching of self-liquidating financing programs with specific capital projects.

## Financing Packages

Extending federal agencies the authority to use financing packages for specific capital investment projects allows these agencies the flexibility of a line of credit. Because any borrowing so authorized is designed to be repaid from the proceeds of user charges, the financing package also forces the agency to make its evaluation procedures as accurate as possible, so that its income will accord with the estimates implied in the financing package.

The fact of an agency borrowing from the Treasury is neither unique nor of recent origin. In 1791, Congress established the First Bank of the United States and capitalized it through the Treasury. Today, forty pieces of legislation authorize various government agencies and programs to issue notes to the Treasury, which in turn finances the transaction by issuing bonds to the public.[9]

Federal policy, however, is inconsistent, and this impairs the flexibility of many agencies to plan their capital needs. A number of agencies which are authorized to impose user fees, for example, do not have the borrowing authority which would logically follow from their financial status as an entrepreneurial entity. These agencies include the Alaska, Southeastern, Southwestern, and Western Area Power Administrations, and the Washington Metropolitan Airports.

In conjunction with strict requirements for cost-benefit justifications for all federal capital investments, Congress should extend borrowing authority to any agency or program which collects user fees or is otherwise engaged in an entrepreneurial activity. The authority need not be unbridled. It could be limited by Congress only to finance approved capital programs. A consistent federal policy with regard to borrowing authority would place government entrepreneurial activities on a firmer financial basis, and establish the principle that federal borrowing is a preferred method of finance in instances where the debt can generate additional revenues.

## User Charges

The federal government collects in excess of $100 billion from the sale of goods and services each year. These range from military scrap metal sales ($2 million in FY 1981) to the estimated $6.9 billion in gasoline taxes which are considered a user fee for federal highways.

The system of federal user fees has grown over time into a patchwork of inconsistent and sometimes inequitable charges. The users of highways, for example, pay gasoline, diesel and other taxes which have provided a major part of the funds for constructing the interstate highway system. Users of ports, on the other hand, pay nothing for the navigation and dredging services provided them by the government.

From a business standpoint, user charges are a critical link in financing capital outlays. If a firm does not believe it can get a price for a product sufficient in the long run to pay operating costs plus yield an adequate rate of return on capital investment, then the investment does not take place. In the commercial setting, the price is generally set by market forces, whereas in the government setting "price" is usually defined by statute or regulation. Often the government's "price" is determined by the political influence of special interest groups, not through a careful analysis of cost benefit studies or the good of the country at large.

In 1951, Congress established guidelines for the setting of fees, to the effect that anything of value furnished by the government (including wholly owned government corporations) "be self-sustaining to the full extent possible...." (31U.S.C.483a) Congress also has established a number of other fee systems by statute which remain unaffected by these guidelines.

OMB Circular No. A-25 interprets the language of this statute somewhat expansively. It states that the cost base for the fees shall include operation and maintenance expenses, depreciation on buildings and equipment, employee fringe benefit costs, and an appropriate share of the agency's overhead. This cost base, however, does not allow for the establishment of reserves. It allows the agency to adjust the fee base only after a capital investment has taken place, not in anticipation of the investment. Furthermore, the statute applies to only 23 Federal agencies, out of the more then 80 agencies authorized to impose charges.[10]

An example of a more expansive Federal fee schedule is found in the Tennessee Valley Authority. The TVA is directed to charge power rates which cover not only its current expenses, but also payments to States and countries in lieu of taxes, debt service, maintenance of reserve funds, repayments to the Treasury of the sums appropriated to develop the TVA power operation (with interest), plus "such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business...." (16 U.S.C. 831n-4(f))[11]

The Reagan Administration, commendably, has initiated an effort to impose a more comprehensive and effective system of user charges. Several proposals emanating from this effort relate to the financing of capital outlays:

- The Administration proposed legislation for user fees to recover the costs of new construction and maintenance of locks, dams, harbor channels, and other navigational aids. The original estimated yield was $ 448 million for FY 1983. However, Congress has failed to enact the proposal.

- Another proposal would tax electric utilities that are generating nuclear waste, in order to finance the construction of nuclear waste disposal facilities -- estimated yield for FY 1983: $300 million. This measure also has not been passed.

- The President has signed legislation to raise fees at the Office of Patents and Trademarks. The new fee schedule took effect on October first of this year, although it is not sufficient to finance the costs of needed capital improvements such as automated application processing, according to a PTO spokesman.

- The Administration proposed reviving the statutory authority of the Airport and Airway Trust Fund with a system of fees which would finance 85 percent of FAA programs (the old figure was about 40 percent). Much of this proposal has been enacted.

Despite the efforts of the Administration to rationalize the system of user charges, and despite Congressional guidelines, there remains considerable inconsistency in the kind of costs such charges are meant to cover. Present law authorizes a number of examples, ranging from the most restrictive (e.g. Environmental Science Service Administration charts) to systems which allow full capital cost recovery plus reserves for future investment (e.g.

TVA). The lack of a clear and enforced policy regarding user charges prevents the federal government from realizing the full potential of user charges for financing capital outlays.

The concluding portion of this paper takes some of the principles developed in the discussion of project specific financing and applies them to examples of government activity. Its purpose is to show that the way a government agency is organized can affect its ability to engage in constructive capital planning and financing.

## V. GOVERNMENTAL ORGANIZATION -- ITS RELEVANCE TO EFFECTIVE PROJECT-SPECIFIC FINANCING

In 1970, Congress enacted the Postal Reorganization Act, abolishing the old Post Office Department and setting up the semi-autonomous U.S. Postal Service (USPS). One of the goals of the Act was to run the nation's postal service like a business, and in so doing to eliminate the huge subsidies which Congress had to pass each year to keep the mail moving.

During its first ten years in business, the new USPS cut its number of employees by 10 percent while handling more than 30 percent additional mail. It initiated new services such as express mail. It increased its net capital assets by more than $ 3 billion, compared with an increase of only $843 million during the previous decade. Despite this tremendous increase in capital assets, congressional appropriations for the Postal Service fell from $ 2.6 billion in fiscal year 1971 to approximately $ 600 million in fiscal year 1982. The USPS is expected to reach its break-even point by the end of this fiscal year.

A recent report by a blue-ribbon panel of the National Academy of Public Administration concludes that without the Postal Reorganization Act, "postal operations in this country might very well have broken down."[12] The report further states that the history of the Postal Service, "clearly demonstrates that good and innovative legislation, accompanied by intelligent and forceful management, can result in better delivery of governmental services."[13] A 1981 Report by the General Accounting Office notes that since the Postal Service became an independent agency, its capital outlays have increased significantly.[14] That report also gives the Postal Service high marks for the effectiveness of its planning for capital investments, maintenance, and equipment replacement.[15]

Interviews conducted with Postal Service representatives revealed that USPS keeps track of its capital equipment, including its 118,000 vehicles, by means of a computer which identifies those items which have reached the end of their useful lives. In this way, the USPS plans for the orderly replacement of its capital stock.

These findings may come as a surprise to those who say the government cannot be efficient. The USPS example, however, tells us that when government agencies are properly organized, they can plan effectively for capital programs. This lesson applies especially in cases where the government is engaged in an entrepreneurial function such as charging fees for delivering mail.

The federal government, in fact, engages in dozens of entrepreneurial functions. A partial list of the goods and services it sells and the businesses it runs would include:

> Restaurants; barber/beauty shops; recording studios; military sales; loan programs for housing, economic development (in the U.S. and abroad); schools; medical offices; crop, war risk, and aviation insurance; inspection and weighing services; laundry; electric power licensing and certification services; loan guarantees; a railroad, a seaway, and a canal; and parking facilities.

Last year, total income from public enterprise transactions was an estimated $ 58.6 billion.[16]

## VI. EXAMPLES OF FEDERAL ENTREPRENEURIAL ACTIVITIES

- The Helium Fund
- Washington Metropolitan Airports
- Patent and Trademark Office
- Federal Power Marketing Administrations
- Tennessee Valley Authority
- Port Development

## Introduction

The examples in this section show that the legal authorizations for government enterprises are varied. They are not dictated by size (the enormous TVA and the modest helium fund have the most administrative flexibility) or by purpose (as the different power administrations prove). The legal structure and authority of each enterprise has evolved haphazardly, influenced by political and historical considerations rather than a systematic analysis of which structure would promote the best management.

This is unfortunate, because organizational structure substantially affects the ability of public enterprises to plan for and finance their capital outlays. The organizational framework of each government enterprise should be flexible enough to support effective capital budgeting and capital financing of the enterprise.

This is not an endorsement of actions placing every public enterprise off budget like the TVA, or of giving them unfettered rate-setting and borrowing authority.

At a time of severe budget stringency like the present, however, it is constructive to ask whether the organizational structure of each enterprise is well suited to planning and financing its capital outlays. This is a question which business executives frequently ask of their own organizations, even though private corporations do not face the same restrictions on price-setting, borrowing authority, and the use of funds as government enterprises do.

At the Federal government level, one could raise valid questions whether an enterprise which:

a) has only limited price-setting authority;

b) derives its "income" from congressional appropriations; and

c) cannot borrow for capital expansion;

has adequate incentive to plan and raise funds effectively for future capital projects. There should be a presumption in favor of maximum financing flexibility within government enterprises, unless the public interest dictates that certain restraints be imposed.

In many cases, federal entrepreneurial activities are both artfully conceived and well managed. Along the way, however, some have become hamstrung by legislative restrictions on their organization and financial authority. Here are a few examples.

## The Helium Fund

Many of the issues concerning how federal enterprises are equipped to plan for and expend capital outlays can be found in the government's helium operation. That operation today produces approximately 320 MMcf of helium annually, to satisfy government needs as well as to sell under contract to private industry. It is a $13 million operation. From a capital planning standpoint, its salient features are:

1) Prices. The law which created the Helium Fund directs the Secretary of Interior to establish prices which shall be sufficient to cover all costs including the amortization of borrowings over 25-year periods.

2) Disposition of revenues. All revenues from helium sales are deposited into a helium production fund established by law. These amounts are immediately available to support continued operating and capital expenses. The Interior Secretary pays installments on its borrowings by drawing on the helium fund.

3) Borrowing authority. The Secretary of Interior is authorized to borrow funds from the Treasury for the helium fund, at rates based on Treasury borrowings for similar issues.

COMMENT: The helium operation was set up to be completely self-sustaining. Its revenues have been pegged to cover not only operating costs, but also debt service and the financing of future capital outlays. The revenues are readily available for its operations, and the fund has the option of financing some capital outlays from internal cash flow. Although its capital outlays were modest by government standards ($1.76 million, estimated, in fiscal year 1982) they were financed without resort to Treasury borrowing and amounted to a healthy 13.6 percent of revenues.

The legal structure of federal government enterprises differs from case to case. In contrast to the helium operation, which appears to offer substantial flexibility from a business standpoint, some enterprises are constrained in their price-setting, the use of their funds, and/or their borrowing authority. These constraints can affect the financing of capital outlays.

## Washington Metropolitan Airports

The federal government owns and operates Washington National Airport and Dulles International Airport on a quasi-commercial basis. The airports yield approximately $38 million in revenues from landing fees, lease arrangements, and concessions. In fiscal year 1981, they returned a "profit" to the U'S. Treasury of $3.9 million.

The operation of the Washington Metropolitan Airports differs from the helium operation in a number of important respects.

1) Fees. The landing fees, leases, and concessions at National and Dulles are set in such a way as to recoup operating costs plus interest and depreciation, but not to finance future construction.

2) Disposition of Revenues. Revenues from airport operations are deposited directly into the general fund of the Treasury. From a constitutional standpoint, once funds are "in" the Treasury, they can be spent only pursuant to a congressional appropriation.

3) Borrowing authority. None.

COMMENT: This system of financing airport operation and maintenance as well as new construction leaves management's hands unnecessarily tied. With no authority to utilize the fees it collects, the airport administrators must ask Congress each year to supply funds which would be available more rapidly under a more conventional enterprise-oriented arrangement. This procedure gives management little incentive for increasing productivity. It also means that plans for safety and capital improvements must compete for funding with the entire range of other federal priorities such as national defense, job training, and housing assistance.

As an indication of how slowly the process works, a request for funds to extend the runway safety area at National Airport -- deriving from two near-accidents in 1976/7 -- has finally been included in the fiscal year 1983 appropriations bill.

The lack of independent borrowing authority also leaves the airports constrained as to capital financing. It is a known fact that National Airport seriously lags behind other metropolitan airports with regard to terminal design. It is, for example, one of the only major metropolitan facilities with arrival and departure areas on the same level.

### Patent and Trademark Office (PTO)

1) *Fees*. On August 29 of this year, the President signed legislation which he had sought, authorizing PTO fee schedules to reflect, for the most part, the full costs of providing services such as processing patent and trademark applications. Under the terms of the legislation, the fees must remain fixed for three years. According to PTO staff, the fees are not intended to cover the amortized costs of future capital improvements[17] Receipts from patent and trademark operations were an estimated $29.6 million in fiscal year 1982, and will climb under the new fee schedule to an estimated $86.8 million in fiscal year 1983.

2) *Disposition of funds*. Fees from Patent and trademark applications and other services are deposited in the Treasury to the credit of a PTO Appropriation Account, where they are available, when appropriated by Congress, to finance the activities of the Office.

3) Borrowing authority. None.

COMMENT: Because the Patent and Trademark Office performs other, non-reimbursible functions, it depends upon appropriated funds for its total operations. The Commissioner has relatively little flexibility in setting fees, and the consequences of having to request extra amounts from Congress in order to finance capital improvements are apparent to those who visit the Office. The Trademark Search Room, for example, is a loose file drawer operation, generations behind the computer-driven state of the art already in operation at several private search firms. The Office is studying the feasibility of computerizing its operations. The present fee schedule, however, will be unable to finance the first penny of outlays for a computerized system.

Federal Power Marketing Administrations (PMA's).

The U.S. Government owns and operates five regional power administrations which sell and transmit power from federal hydroelectric dams. Not to be confused with the Tennessee Valley Authority, which is an off-budget corporation, the regional PMA's are run from the Department of Energy and include the Alaska Power Administration, the

Bonneville Power Administration, the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration. Together they sold an estimated $ 1.2 billion in electric power during fiscal year 1982.

1) *Rates*. Rates are set with regard to cost recovery plus amortizing the capital investment "allocable to power" over a reasonable period of years. At Bonneville, the "-llocable to power" clause is defined more strictly to state, in effect, that power generation is incident to the construction of a dam for other purposes (e.g., flood control, conservation, recreation).

2) *Disposition of funds*. Except for Bonneville and the Western Area Power Administration (WAPA), power revenues are deposited in the Treasury as miscellaneous receipts. Small emergency funds of varying amounts are directly available to each Administration to ensure continued generating capability. Since 1974, Bonneville has had authority to use its own funds under a permanent appropriation. At WAPA, 12 projects deposit their receipts either in revolving funds, where they are immediately available, or into the Reclamation Fund, where they are earmarked but available only through appropriations. A 13th project places its

revenues directly into the Treasury as miscellaneous receipts.

3) Borrowing authority. None, except for Bonneville, which can borrow up to $ 2.5 billion in outstanding balances from the Treasury.

COMMENT: The rate structure among the PMA's prevents "full" cost recovery if it is based simply upon the marginal costs of fitting a flood control conservation/recreation project with power generating capability. Although the Bonneville Administration and WAPA have access to their revenues, the other PMA's do not, which places them at a unique disadvantage among electric utilities generally.

The confusing treatment of WAPA revenues stems from WAPA's status as a Reclamation Bureau project in the Interior Department at the time that the PMA's were transferred to the Department of Energy. Because revenues at the three other PMA's are not offset against expenses, it is difficult to calculate from the appropriations requests they submit to Congress what their profitability is. Bonneville's borrowing authority has enabled it to finance significant amounts of capital outlays, including approximately $165 million in construction during fiscal year 1982.

With regard to the Alaska Power Administration, it is appropriate to inquire whether ownership should remain with the federal government, rather than the State of Alaska. Such a transfer of ownership, which has precedent with regard to other federally-owned facilities in Alaska, could enable the Alaska PMA to be run in a manner similar to a conventional power authority without compromising other federal goals such as recreation.

## Tennessee Valley Authority (TVA)

The TVA was created as a government-owned corporation in 1933. In 1959, Congress placed the electric power program on a self-financing basis, giving it additional rate-setting and borrowing authority. The intent of Congress was explicitly stated to provide the TVA, "with adequate authority and administrative flexibility to obtain the necessary funds with which to assure an ample supply of electric power.

TVA bonds issued to the public do not come under the federal debt, and its outlays are "off-budget". Power rates are set in order to cover expenses, amortization, reserves, and payments to states in lieu of taxes. Other functions of the TVA (e.g. navigation, recreation) are supported by appropriated funds. The TVA is looked upon as one of the most successful examples of government enterprise, and commentators cite its planning and administrative flexibility as one key to its effectiveness.

## Port Development

Port development poses a unique and complicated set of issues regarding government organization. Since 1824, the U.S. Army Corps of Engineers has been the lead agency in the planning and construction of facilities affecting the nation's navigable waters. The Corps administers a regular program of harbor dredging maintenance. Proposals to dredge a new port or deepen an existing one, however, must undergo a convoluted course of impact statements, economic justifications, hearings, and other administrative delays. An average project can take 18 to 20 years before construction is even initiated.

At the present time, the federal government assumes the entire cost of harbor dredging done by the Corps. The economies of scale of new, deep-draft shipping, however, have placed a special urgency on the development of new facilities at our nation's ports. The United States is the only major trading country without a deep-draft coal port for our rapidly expanding coal exports.

Port authorities which are prepared to pay for port development out of their own internally generated revenues must still submit to the lengthy procedures. So complex is the issue that Congress has failed to authorize a new port project for approximately eight years.

The Administration has proposed legislation for cost recovery of harbor dredging, and it favors the concept of "fast-tracking", which is currently before Congress. At the time Congress recessed for the election, however, no legislation had been passed on either subject. Congressional staff indicate that it is unlikely any action will be taken during the lame duck session.

It seems unconscionable that the United States should be limping along with a port system suited to the 1960's at a time when new economies of scale and new demand for our raw products could pay the way for up-to-date deep-draft ports. A new budget emphasis on capital investments could make it easier to remedy this deficiency.

## FOOTNOTES

1. Duberstein, Kenneth M. Letter to Congressman William F. Clinger, Jr. February 16, 1982.

2. Relatively uncontrollable outlays are those outlays which are mandated by law, by contract, or by existing obligations. Examples of such outlays are interest on the public debt, federal employee salaries, and (by far the largest item) the various entitlement programs of government such as Social Security and unemployment compensation.

3. It should be emphasized at the outset that the cost-benefit analysis will not be the sole determinant of whether any specific investment project is approved. Nonquantifiable factors frequently come into play. However, by requiring a cost-benefit analysis for every project, Congress can be assured of having all the dollars and cents facts it needs about initial investment, future maintenance and repair costs, useful life, and rate of return, before moving on to consider other factors.

4. Office of Management and Budget, Circular No. A-11 (July, 1982), Section 24.1(c)

5. See, e.g. Office of Management and Budget, Circular No. A-94 ("Discount rates to be used in evaluating time-distributed costs and benefits").

6. For a discussion of these discount rates, see Appendix II.

7. See, e.g. U.S. General Accounting Office, "General Services Administration's Lease Versus Construction Present-value Cost Analyses Submitted to the Congress Were Inaccurate," (LCD-80-61, June 20, 1980).

8. For example, the Federal Aviation Administration's budget justifications for FY 1983 which it sent to the Congress contained nine capital items which cited economic factors as the reason for the recommended outlays. Only one of them contained an adequate cost-benefit justification.

See U.S. Congress, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 97th Congress, 2nd Session, "Department of Transportation and Related Agencies Appropriations for 1983...Part 2, 1983 Budget Justifications", pp. 217-48. The lone cost-benefit justification appears on page 217.

9. For a list of the statutory references and the agencies/programs in question, see Appendix III.

10. The 23 agencies covered by the guidelines are listed in "The Assessment of Fees by Federal Agencies for Services to Individuals" 94 Harv. L. Rev. 439 (Dec. 1980).

11. Fee Schedules more restrictive than the general rule also abound. Three examples follow:

> Sales of government documents: "The price... shall be based on the cost as determined by the Public Printer plus 50 percent" (44U.S.C.1708). This has been interpreted by the Government Printing Office to mean that capital facilities, including depreciation on plant and equipment, are not included in the fee base.
>
> Grain weighing and inspection: "The fees...shall, as nearly as practicable, cover the costs to the (Federal Grain Inspection) Service incident to its performance of official weighing and supervision of weighing services...excluding administrative and supervisory costs." (emphasis added)
>
> Charts published by the environmental Science Service Administration: "...shall be sold at cost of paper and printing as nearly as practicable. The price to the public shall include all expenses incurred in actual reproduction of the charts after the original cartography, such as photography, opaquing, platemaking, press time and bindery operations..." (44U.S.C.1307)

12. An Evaluation of the Postal Service (National Academy of Public Administration, 1982), p. XIII.

13. Ibid., p. XIV.

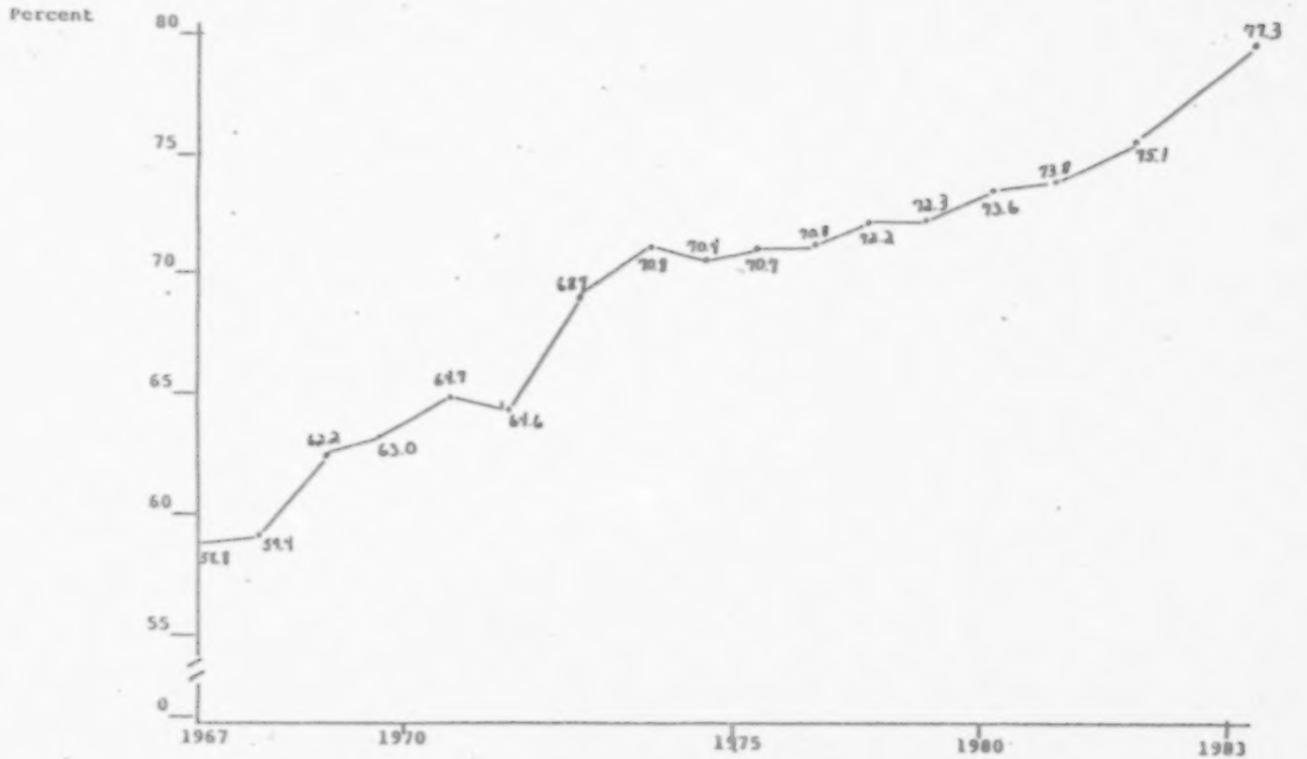
14. U.S. General Accounting Office, "Federal Capital Budgeting: A Collection of Haphazard Practices" (PAD-81-19), p. 61.

15. Ibid.

16. A complete list of Federal public enterprise activities with their dollar amounts is included in Appendix IV.

17. According to the Administration's budget proposal for FY 1983, the additional "fee-derived revenue will...per-it development of a fully-automated application processing system in subsequent years..." Strictly speaking, this is consistent with the statement that the present fee schedule, which took effect on October 1, 1982, is not intended to finance future capital programs such as automated application processing.

UNCONTROLLABLE OUTLAYS AS A PERCENT OF FEDERAL SPENDING



SOURCE: OFFICE OF MANAGEMENT AND BUDGET
FIGURE I

Figure II

THE CAPITAL APPROPRIATIONS PROCESS

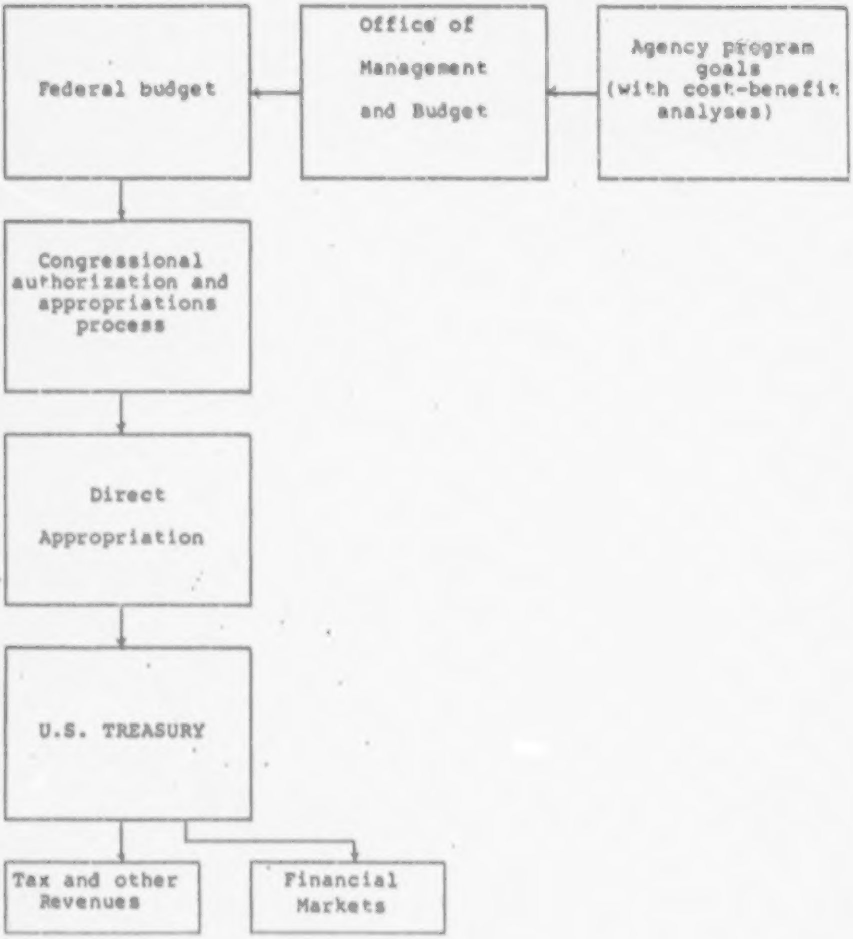
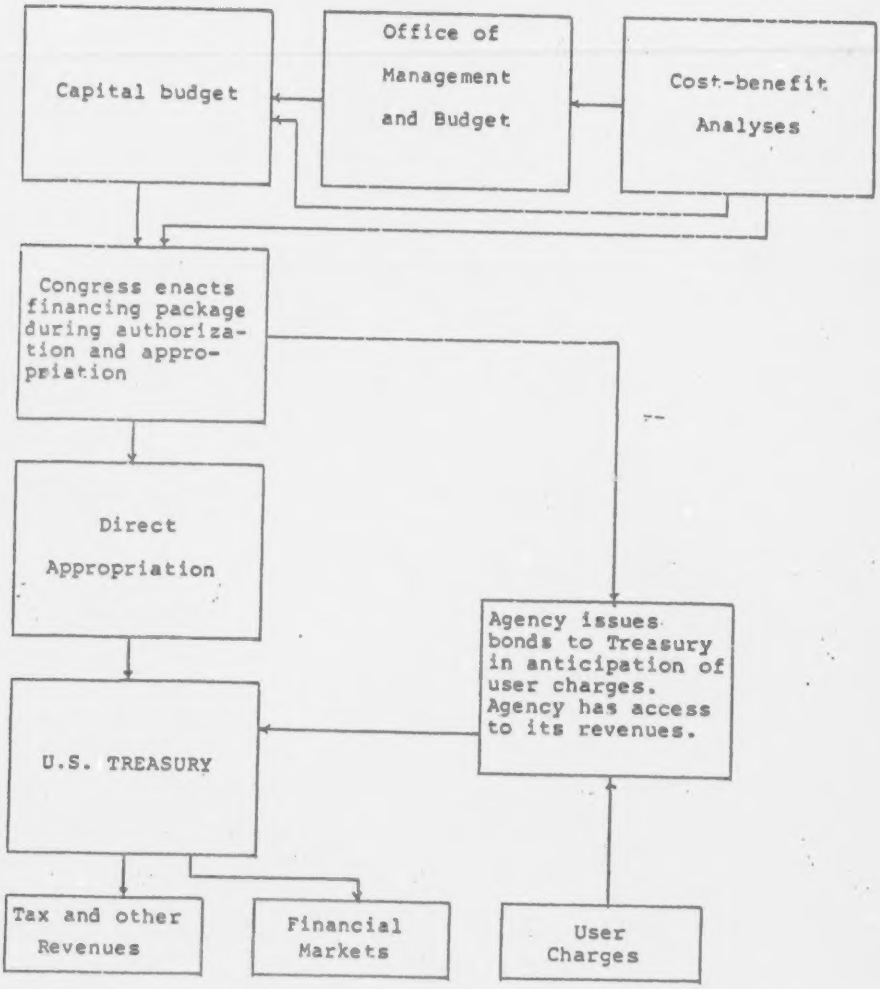

Federal budget
Office of Management and Budget
Agency program goals (with cost-benefit analyses)
Congressional authorization and appropriations process
Direct Appropriation
U.S. TREASURY
Tax and other Revenues
Financial Markets

Figure III

A PROJECT-SPECIFIC APPROACH


Capital budget
Office of Management and Budget
Cost-benefit Analyses
Congress enacts financing package during authorization and appropriation
Direct Appropriation
Agency issues bonds to Treasury in anticipation of user charges. Agency has access to its revenues.
U.S. TREASURY
Tax and other Revenues
Financial Markets
User Charges

# Appendix I

## Cost-Benefit Analysis: An Explanation

There are several forms of cost-benefit analysis. Each has the purpose of quantifying the viability of a proposed investment in a readily understandable form.

The simplest method is the average rate of return, which calculates the total return on an investment by averaging the rates of return for each year of the investment. This technique has the advantage of simplicity and ease of understanding. It is also useful for assessing a single year's rate of return. It has the disadvantage of ignoring the effects which cash flow timing can have on an organization's balance sheet.

The payback period method looks at the amount of time required to recover the initial outlay for a given investment. This method is useful where the investment is at some risk (as, for example, where it takes place in a politically unstable country) and the concern of management is that the investment substantially pay for itself within a short time. This method, however, does not account accurately for the true costs of the time lag between the up-front investment and the return which may come in the future. It is intended merely to answer the question of how long it takes to get the original investment back.

An important analytical tool used in the next methods is called discounting. Discounting incorporates the principle that the present value of a sum of money to be received one year from now (or the present cost of a sum to be paid a year from now) equals the amount of money it would take to be worth that sum if invested at an assumed interest rate for one year. Thus the present value of $1.06 one year from now, assuming a "discount rate" of six percent, is one dollar.

The formula for discounting is $a/(1+r)t$, where $a$ is the amount being discounted, $r$ is the discount rate, and $t$ is the number of years from the present where the income flow is taking place. That part of the formula, $1/(1+r)t$, is known as the discount factor. In practice, discounting is done either by machine or by multiplying each year's net income stream by the discount factor for that year and adding the results.

Financial analysts use discounting in several ways. The net present value of an investment is the discounted present value minus the original cost. It shows the present value of the profit to be obtained from the investment, as well as a measure of the value of the original investment. Since the discount rate may be chosen according to the desired rate of return on the investment, the net present value can answer the question of whether the investment can meet this rate of return. A zero net value indicates that the rate will be met; a positive net value means it will be exceeded.

By discounting the costs (raw materials, salaries, maintenance, etc.) back to the present and comparing them with the present value of the investment's income, or benefits, one can obtain a profitability index or cost benefit ratio. This ratio shows how much profit (discounted to present value) is generated by each present dollar of investment. Cost-benefit ratios are useful for comparing the advisability of alternative investments, or for prioritizing investments at times when investment capital is scarce.

The above discounting methods utilize an assumed interest rate which conforms to the desired minimum rate of return on the investment. The internal rate of return method uses discounting techniques to reach a percentage rate of return based on present values. Internal rate of return is calculated by finding the discount rate which yields a cost benefit ratio of 1:1. This method is also useful for comparing alternative investments and rationing scarce investment capital.

In the case of capital investments such as buildings, machinery, and equipment, it is customary to consider life-cycle costs when making a cost-benefit analysis. These costs include outyear expenses for maintenance and repair of the investment over its useful life.

Most large private firms, governments, and international agencies such as the World Bank use discounting methods on a regular basis in conducting cost-benefit analyses. These methods are especially important at times such as the present when profit margins are tight and where, in the government setting, the need for budget cuts will force a close examination of the costs and benefits of capital programs.

## Appendix II

## The Discount Rate for Federal Projects: Is It Consistent? Is It Realistic?

As described in Appendix I, the discount rate is an analytical tool for calculating whether a proposed capital outlay meets certain standards of profitability.

In a firm, the discount rate typically corresponds to market rates. If a firm used a substantially higher rate, it might be overlooking some good investment opportunities. If it used a much lower rate, it could be worse off than if it had simply invested its cash balances in interest-bearing securities.

In accordance with various congressional mandates, the federal government uses several discount rates, at least one of which is below its own borrowing costs.

For example, the statutory discount rate used in calculating the feasibility of Federal water supply projects under Title III of the Water Supply Act yielded a discount rate of 9.352 percent during 1982. The formula for the discount rate for projects under the Bureauof Reclamation, the Soil Conservation Service,the TVA, and the Corps of Engineers produced a 7.625 percent rate.

These relatively low rates come about because the original legislation, though prescribing a rate based on Treasury borrowing costs, limited annual adjustments to a rate which has been too small to keep pace with today's higher interest rates.

The Office of Management and Budget uses a fixed discount rate of ten percent for projects which are not covered by statute. This rate has been in effect since 1972.

The use of a number of different rates, and of low rates, should be eliminated. Justifications for capital investments need to be based on accurate market rates, not unrealistic numbers which mistake the true costs of Federal programs.

NORTON SIMON INC

DAVID J. MAHONEY
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

May 27, 1983

Honorable Robert T. Stafford
Chairman
Committee on Environment and Public Works
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

It was a pleasure to appear before your committee earlier this spring. I appreciated the opportunity to testify with regard to the important legislation you have introduced to answer the urgent need to provide jobs for Americans who want to work and to place our nation's infrastructure on a secure footing.

Enclosed are responses to several additional questions which you forwarded to me after the hearing. I hope these replies, as well as my earlier testimony, are responsive to the concerns of the Environment and Public Works Committee.

Thank you for allowing me to participate in your consideration of these vital national issues.

Sincerely,

David J. Mahoney

277 PARK AVENUE, NEW YORK, NEW YORK 10017 TEL (212) 832-1000

Responses by David J. Mahoney
Chairman and Chief Executive Officer
Norton Simon Inc.

To Questions by the
Committee on Environment and Public Works
United States Senate

Question No. 1

> You have suggested a broad program of benefit-cost studies for infrastructure projects. Wouldn't that raise the danger of the rich getting richer as investments flow to the investments with the higher payoff?

As I observed in my written statement, a cost benefit analysis is only an informational aide in planning and decision making. Final decisions to approve public investments rest with the Congress. Under my financing proposal, cost-benefit analyses would be just one of the factors considered by the Congress in making those decisions. The analyses would not dictate decisions. They would, however, ensure that Congress would have all the dollars and cents facts available about initial investment, future maintenance and repair costs, useful life, and rate of return for each proposed project. Using this information, Congress, the Executive Branch, and the public would, for the first time, be able to calculate accurately outyear budget impacts of the public investments approved for development.

Question No. 2

> What is your view of the need and value of an assured funding mechanism--possibly through a form of dedicated revenues--for the Title I portions of S. 724?

I appreciate Senator Stafford's statement in the *Congressional Record* of March 8, page S2319, suggesting exploration of an assured mechanism for financing the Title I program. Certainly, Congress should guard against the stop-and-go approach to infrastructure needs which has led to the present decline. I am confident the infrastructure is in such a poor state that the $5-billion annual authorization in your bill could be usefully employed in the Title I program. However, I am aware of the traditional arguments to the effect that programs financed through dedicated revenues build powerful constituencies and tend to become self-perpetuating and inflexible. As a businessman, I can say that in the private sector I prefer the option of maximum flexibility in operating a company--developing long-range plans, but also remaining sensitive to changing circumstances affecting both revenues and expenditures. I believe that the inventory of infrastructure needs will help to inform Congress, state and local governments, and the public of those needs and their relationships to economic growth and employment opportunities. This should help to foster a climate conducive to sustained public investments for these vital projects.

Question No. 3

> To what degree should the state programs under Title I become self-sustaining?

The state programs under Title I should be as self-sustaining as possible. Until the states develop their plans, and there is some appraisal of the extent to which user charges can finance the program, it is difficult to be more precise. It is inherent in an infrastructure program that there will always be a requirement for maintenance, repair, and replacement, as well as initial investment, so it makes good sense to establish a continuing, permanent revolving fund.

Question No. 4

> What specific items would you include in an authorized infrastructure program--water supply, jails, hospitals, culture, recreation?

I would suggest including in the infrastructure program highways, bridges, public transit systems, wastewater treatment works, water supplies, water resources (dams, ports and navigation works), air traffic control centers, museums, stadiums, galleries, airports, and other similar structures. The facilities suggested are all highly capital intensive, are directly related to economic activity, and lend themselves to project-specific financing, using cost-benefit analysis, as described in my testimony.

Question No. 5

> I have joined four other Republican Senators in proposing an alternative budget to reduce the projected national deficit by over $200 billion over the next five years, with an equitable and balanced set of priorities. Do you believe that the programs of S. 724 and the other bills would address national employment and infrastructure needs and prove useful in the current economic climate?

Let me first commend you and your colleagues for your deficit-reduction program. While I am not qualified to evaluate details of the budget, I am convinced that deficits in the ranges now projected could be ruinous to the economy. Those who are rejecting your program should be challenged to produce a better one that would accomplish the same deficit reduction.

It would be foolhardy to wait until the budget is balanced before beginning an infrastructure program. The deterioration of the infrastructure during this period would be a serious drag on the economy, which in turn would curtail government revenues. The rebuilding of the infrastructure at a later date would become far more costly. The level of annual expenditures for an infrastructure program over the years ahead is debatable, but it is hardly debatable that the time to start is now.

Question No. 6

> Would you discuss for both the youth programs and infrastructure programs--(1) the stimulative effects of these programs on the economy, (as opposed to transfer payments), and (2) how these programs would affect structural unemployment?

Providing economically useful work obviously is far better for the individuals involved and for the nation as a whole than transfer payments. The product of the work has economic value in itself. More important, the contribution of the work to the self-esteem of the individual and to his ability then to progress on his own are incalculable. I would like to add that both infrastructure and youth employment programs are justified in their own right on a long-term basis, and they should not be viewed as a temporary response to the recession. The numbers of persons to be employed under these programs would be small relative to total unemployment in the recession. Recession or not, the infrastructure must be repaired for the sake of our economy over many years ahead. The growth in numbers of unemployed and perhaps unemployable youths, particularly disadvantaged youths, threatens appalling social consequences. We must begin now to find ways to motivate, educate, train and employ these young people so as to reverse the trend that has persisted for years, recession or no recession. As I stated in my testimony, I believe the private sector must join government in this effort.

Question No. 7

> Would you agree that bond subsidies or tax credits for infrastructure would have an overall budgetary impact, but that the impact would simply be less visible than a direct spending program?

Bond subsidies and tax credits could encourage the flow of more funds from non-governmental sources into infrastructure development. Although the net impact on the federal budget might not differ greatly from that of 100 percent direct spending, I feel there could be long run benefit to involving non-governmental entities directly in infrastructure construction, maintenance, and repair. I think it is conceivable that we would see more private sector underwriting of infrastructure projects, providing a permanent increase in jobs over the long term.

Question No. 8

> What is your view on the need for the greater use of user charges?

As outlined in my statement for the record, particularly on pages 20-25, I regard effective application of user charges as one of the keys to a sound capital investment program. The present system of user fees is a patchwork of inconsistent and sometimes inequitable charges. The users of highways, for example, pay gasoline, diesel and other taxes which have provided a major part of the funds for constructing the interstate highway system. Users of ocean ports, on the other hand, pay nothing for the navigation and dredging services provided them by the government. Too often the fee charged by government (if any) is determined by the political influence of special interest groups rather than by sound economic analysis. There are instances where social benefits of a government service are so broad that the specific user should not be expected to pay all the costs, but in many instances now the user is not paying what he could and should. Several examples are cited in my testimony. Congress set forth a sound policy in 1951, to the effect that anything of value furnished by the government "be self-sustaining to the full extent possible..." (31U.S.C.483a). The policy has not been enforced, although the Reagan Administration has made some efforts in this direction.

Question No. 9

> In proposing that Congress authorize a financing package for each authorized capital program, you give the impression that each project can be self-supporting. Do you think the Federal government would have to support those projects that cannot be self-supporting? If so, can you estimate what Federal costs would be?

I did not intend to suggest that all projects could be self-supporting or that the Federal Government would be the only source of funds to cover shortfalls. On page 3 of my summary testimony, I stated that the package for each authorized capital program "could consist of user charges and agency borrowings from the Treasury, plus appropriated funds to cover any gap between user charge revenues and the agency's capital requirements." While I had federal programs solely in mind at that point, certainly the financing package for many infrastructure programs could include an appropriate share of state and local revenues. The important point is to have in hand a sound plan for financing total costs before a project is authorized--paying for construction, maintenance, repair, replacement, interest, administration, etc.

Questions 10, 11 and 12

(Since these questions are closely related,

> I will reply in a single answer. In essence the questions seem to ask: If the temporary employment programs in Title V do not solve the youth employment problem, what should be done to provide more fundamental, longer-term solutions?)

It is not disrespectful of Title V to observe, as the questions themselves imply, that these programs primarily provide short-term relief. Certainly relief is needed. And even temporary jobs may well help some youths prepare for permanent employment.

It would be presumptive of me to offer a sure solution to such a deepseated problem as youth unemployment. Government and the private sector have attempted a variety of programs over the years, yet the problem on the whole seems more acute than ever. If there were quick and easy solutions, they probably would have been discovered by now. As I look back on our experience at the Norton Simon, Inc. program for hiring disadvantaged youth, I would say we learned some fundamental elements. First we learned that there must be a firm, serious, long-term commitment to placing people in jobs with a future, not make-work jobs. Second, we learned to decentralize--to place job identification, recruitment, training, counseling, and similar functions as close as possible to where the jobs are. We also learned that we had to increase greatly the training and counseling elements of the program; training is so important in some instances it should be provided while youths are on the payroll before actually beginning work, and should be continued part-time after they have begun work. Finally, we made fiscal arrangements that removed the temptation for local managers to hire the most easily trainable and employable young persons, because we wanted to reach the truly disadvantaged. Obviously, we would like to see a much broader effort in the private sector.

One could probably carry the analogy too far, but it seems heartening to me that the Job Training Partnership Act of 1982, when implemented, should move in many of the same directions as our NSI program. For example, the Act contemplates that local businessmen shall first identify current and prospective job openings in their community (decentralization); that training and counseling then be provided pointing directly toward those positions; that provisions be made for disadvantaged youth to receive some payment while undergoing counseling and job training (I understand JTPA allocates 70 percent of its funds for training). Then the private sector must fulfill its role--so that training does not lead to a jobless, disillusioning dead end. Obviously it is too early to know what impact this program will have, but I would be concerned that the federal financial commitment be large enough to make a noticeable improvement.

If we can begin to demonstrate progress, through expanded and more enlightened efforts by both government and the private sector, we may provide an essential element which has been severely lacking--hope, leading to motivation.

Testimony
Before the Senate Committee on
Environment and Public Works
April 18, 1983

Mr. Chairman, it is a pleasure to share with this subcommittee the Tennessee Valley Authority's (TVA's) experience with conservation-oriented work programs for young people in our region.

That experience is rich in tradition and historic background. In the 1930s, thousands of Civilian Conservation Corps recruits became part of TVA's effort to rebuild the resources of the Tennessee Valley. They planted 130 million seedlings to rebuild the region's forests and stabilize an eroding land base. Those trees provided the resource base for a still-growing, multibillion-dollar forest industry that today employs some 60,000 Valley citizens.

Corpsmen worked on nearly 10,000 erosion control projects. They created five demonstration parks along TVA lakeshores--parks which became the forerunners of the excellent State park systems in the Valley.

In more recent times at Land Between The Lakes, TVA's 170,000-acre outdoor recreation area and conservation education learning laboratory, thousands of youngsters literally have learned about the out-of-doors in the out-of-doors. We also have made extensive use of student interns, young people who have broadened their knowledge in their chosen resource development fields while gaining new skills in human relations.

With this background, TVA became an enthusiastic participant in the National Youth Conservation work programs. With funding from the U.S. Department of the Interior (USDI) and the U.S. Department of Agriculture, TVA began a summer youth program in 1976; and in cooperation with USDI, we have been involved in the year-round Young Adult Conservation Corps (YACC) program since 1977.

The results, by any measure, are impressive:

- Over 5,800 Valley young people have been provided meaningful employment with on-the-job skill training and help in developing a positive work ethic.
- More than $17.5 million in needed conservation and resource development projects have been completed.
- Total work completed has returned $1.50 in benefits for every $1 invested.
- Over $7 million in hard-earned wages have been paid to otherwise unemployed Valley young people as part of the total investment.

The range of grassroots projects carried out by these youngsters is equally impressive. It includes weatherization of public buildings, development and maintenance of recreational facilities, reforestation, improvements in wildlife habitat, reclamation of surface mines, and restoration of historic structures.

A few specific examples bring the contribution into even sharper focus.

On 300 acres in rural northwest Alabama, young workers built a complete environmental education center capable of serving citizens from a multistate area. The center includes a re-creation of a 19th century farm made from historic log structures carefully dismantled from sites around the region and skillfully reassembled. Residence buildings and other facilities at the center help round out an area where people can study their culture and relearn the importance of the intricate web that binds that culture and the environment. Total appraised value of the youngsters' contribution to this one project approached one-half million dollars.

Of a more dramatic nature, when the small, mostly black, community of Triana, Alabama, was confronted with contamination of a creek which served as a major source of food and recreation, youth workers came to its aid. A safe commercial and recreational fishing area, a town-owned commercial nursery operation employing local residents, a community garden operation, and other projects were implemented with YACC labor.

When the community of Clinchport, Virginia, was devastated by flood, YACC teamed with the Scott County Redevelopment and Housing Authority to finish the demolition of flood-damaged buildings and prepare a new site on which the town could safely relocate. Seventy buildings were dismantled and removed from the floodplain, and the property was then prepared for recreational use by residents of the newly created town of Thomas Village, Virginia.

Recently, TVA forged a new partnership with the Office of Surface Mining (OSM) by using youth workers to attack the problem of abandoned strip mines in Southern Appalachia. On a portion of the New Alma watershed in eastern Kentucky--one of the more critical of numerous hazardous sites in the region--YACC workers provided OSM with a turnkey reclamation operation, which includes both basic labor and project administration. The work not only was completed on schedule but came in below projected costs.

With more than 35,000 acres of "orphan" mine lands in and around our region alone, the potential for extending this demonstration is obvious.

Indeed, the need to realize potential conservation and economic possibilities by tapping the region's reservoir of young, unused, and available talent is apparent. The unemployment rate is as high as 25 percent among young people in parts of the seven-State Tennessee Valley area. The figure more than doubles for minority youth, especially in and around some of the region's cities.

In a pioneering effort to address the unemployment problem among the Valley's urban youth, work centers were opened by TVA in Knoxville and Memphis, Tennessee. The centers focused on the special problems of urban youth, offering jobs in the youngsters' "own backyards"--in areas they could reach without the benefit of costly transportation and within the context of a familiar environment. In both Memphis and Knoxville, young people developed urban recreational areas for schools and governments, energy conservation, community building rehabilitation, and city beautification.

It is evident that the benefits of these projects go far beyond the actual work accomplished, the lands reclaimed, the trees planted, and the community improvements made. They extend to a growing appreciation by us, as adults, of the latent talent in the generation rising behind us.

No one can guarantee the success of any specific proposal to assure the prudent use of resources, whether those resources be human or natural. Some programs, overly paternalistic, have actually handicapped the people they intended to help. But our experience, spanning nearly a half century, has been that creative and cost-effective projects can be developed.

Mr. Chairman, I would be pleased to answer any questions the subcommittee may have.

TENNESSEE VALLEY AUTHORITY
KNOXVILLE, TENNESSEE 37902

OFFICE OF THE BOARD OF DIRECTORS

The Honorable Robert T. Stafford, Chairman
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Stafford:

Thank you for your April 18 letter to Thomas H. Ripley. The answers to your questions concerning youth unemployment in the Tennessee Valley region are enclosed.

We appreciated the opportunity to appear before your committee. Please let us know if we may provide additional information.

Sincerely,

C H Dean

C. H. Dean, Jr.
Chairman

An Equal Opportunity Employer

Question 1

We heard discussion during the hearing concerning high levels of youth unemployment, plus comments about the Sunbelt. What is the situation with respect to youth unemployment in the region TVA serves?

Response

Youth unemployment levels in the Tennessee Valley region have been significantly above national averages. During 1982 the average unemployment rate in the Valley States for 16- to 19-year-olds was 28 percent; the 20- to 24-year age group averaged 17.5 percent. As the committee is well aware, national figures for these age groups were about 23 and 15 percent.

Question 2

Can programs, such as those provided for in Title V of S. 724 and described as part of your statement, address the youth unemployment problems in the region TVA serves?

Response

It is our experience that national youth conservation work programs can be an effective and efficient means of addressing youth unemployment. To be effective such programs need to have a scope broad enough to reach the target populations. Title V of S. 724 has some constraints which could limit its effectiveness in this regard. Part B is limited to land management agencies within the U.S. Departments of Agriculture and the Interior and is also somewhat narrowly restricted to natural resource projects. Several other agencies excluded from participation under S. 724 as drafted (Corps of Engineers, TVA, Department of Defense) have responsibilities in managing extensive natural, cultural, and energy resources. The committee may wish to consider amending Title V of S. 724 to designate a certain percentage of the funds made available for resource conservation projects by that title for Federal land-managing agencies other than DOI or USDA.

In many cases the facilities of these agencies are close to urban population centers where concentrations of unemployed youth are at their highest.

The conservation of our Nation's cultural and energy resources could be an important component of a youth effort. Both are essential to securing and developing our infrastructure and provide varied opportunities for skill development and training.

A well-conceived and -executed program could have significant positive effects on youth unemployment in the Valley region.

Tennessee Valley Authority
April 28, 1983

**Human**
**Environment**
**Center**
810-18th Street, N.W. • Washington, D.C. 20006 • 202/393-5550

Testimony of Sydney Howe, Executive Director,
Human Environment Center,on S. 724, the Public
Investment/Jobs Act of 1983, in the U.S. Senate
Committee on Environment and Public Works,
April 18, 1983.

Mr. Chairman, I am Sydney Howe, Executive Director of the Human Environment Center here in Washington. We thank you for inviting our testimony on S. 724, and we shall comment particularly on the Young Adult Conservation Corps component of the bill.

Our Center advances the common aims of urban, minority and conservation interests, and the employment of young men and women in needed urban and rural conservation work is important among those common aims. We commend your recognition in this bill of the dire needs of jobless youth and wasting resources, your promotion of the proven and cost-effective conservation corps concept to help meet those needs, and your proposal of corps funding at a level that would have real meaning and impact. A $1.5 billion Conservation Corps would signal to neglected young people that this society does care about them, and it would turn degraded natural and community resources into productive assets for economic recovery and long-term national welfare.

We offer these comments on specific points in the YACC portion of the bill, which is Title V, Part B:

1. Some further definition of the respective roles of the Secretaries of the Interior and of Agriculture seems desireable, especially with regard to funding and program approval for Federal bureaus outside their own departments, and for State, local and tribal Corps operations.

2. Limiting enrollment to those age 16 to 23 may be too restrictive (line 13, p. 42). The summer enrollment of 15-year olds does not appear to have been a problem in past corps programs. Lines 21 to 24 on page 43 imply an inordinate emphasis on summer, as opposed to year-round, enrollments.

3. The proposed or suggested "Activities of the Corps" (p. 44-45) seem to minimize urban and community projects, with the exception of "urban park revitalization." Urban assignments are given more to the YCCIP authorized in Title V, Part A. Whether YCCIP also goes on line or not, we believe that a Corps should function in urban areas and serve such needs as public facility and neighborhood rehabilitation, weatherization and other energy conservation, pest control, and waterfront renovation, among others. A Corps that is seen and known in both urban communities and the hinterland will be appreciated broadly by the American people. It is especially important that the conservation agencies of state and Federal government achieve relevance for urban people, and the pride that some urban youth derive from Corps accomplishments will be heightened by visible results in their own communities.

A non-urban focus is implied again in lines 10 to 16 on page 46, which calls for projects that "to the maximum extent practicable" are similar to the work of Federal land agencies.

4. The required assignment of enrollees "to projects as near their homes as practicable" (lines 22-23, p. 46) would be unfair and limiting. While transportation efficiency is desireable and should be the norm, there may be need for many exceptions to such a rule. Some young people, both urban and rural, may need to get away from home. Administrative discretion seems in order here, but with clear Congressional intent that cross-country junkets are not in order.

5. Despite long personal engagement in the control of life-threatening pesticides, I doubt that this danger should be singled out under "Prohibitions" (lines 12-20, p. 49). Such language might invite other special-purpose initiatives, as by advocates of a sub-minimum youth wage, which should be argued on their merits in legislation affecting the larger populations concerned.

6. Requiring only "consultation" with a Governor before grants are made to state bodies, or with "appropriate state and local officials" before grants go to local government units, may be insufficient (end p. 50, top p. 51). Governors and local government authorities may expect and need more authority than "consultation" provides.

7. As a kind of meeting ground of many conservation corps interests, our Center would like to reserve definitive comment on the distribution formula for funds authorized by S. 724 (p.50, 51). The views of specific Federal, state, tribal, and local-government authorities, and of employment, youth and conservation interests, will be important in this matter, but we do note:

a) That giving attention to "the relative number of unemployed youths within each state as compared to all states" (line 6, p. 51) seems to us a beneficial and fair consideration,

b) That no funding provision is made for demonstration projects and evaluation activities, from which we believe innovative developments and program improvements should arise,

c) That no funding is allocated for miscellaneous Federal agencies that have participated in past corps programs (e.g. Corps of Engineers, TVA), and

d) That no state matching funds are required. The absence of a state dollar requirement may well have left recent successful conservation corps programs without the state-level visibility, commitment and popularity that could have saved them during the budget slashes of 1981.

8. Making the Corps open to all youth (p. 51, line 19) seems consistent with the concurrence of most conservation corps interests, although "special consideration" for disadvantaged youth has been generally agreed upon. The requirement of "Special Provisions" on page 52, that efforts shall be made to "insure" that those recruited "are experiencing severe handicaps in obtaining employment," may be inconsistent with the prior all-youth provision.

9. The title of Section 544, beginning at line 8 on page 54, refers to academic credit, education, counselling, placement and skills development, but most of these important functions need further expression in the ensuing language. In addition to local school linkages, we suggest training, skills certification, couselling and post-corps placement connections with local public and private employers, labor unions and nonprofit organizations.

10. Finally, we believe there are interesting potentials for conservation corps work on private lands, with private owners paying for their own share of the benefits. Authorization for such work could lead to long-neglected timber-stand improvement, fish & wildlife habitat restoration, erosion control, streambank stabilization, and other public and private gains, without displacement of other workers.

Mr. Chairman, we do not mean to suggest that these are comprehensive comments on Title V, Part B of S. 724, nor, by proposing changes, do we mean to ignore the bill's many strong features. This legislation could produce a strong Conservation Corps of which the nation would be proud. If our past and continuing studies of such programs can contribute to your further efforts in this regard, please call on us.

STATEMENT
OF
RECREATION/JOBS COALITION*
ON
PUBLIC INFRASTRUCTURE NEEDS AND S.724
BEFORE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
APRIL, 1983

*The following statement is submitted on behalf of: National Recreation and Park Association; National Parks and Conservation Association; The Trust for Public Lands; Human Environment Center; and others.

Our organizations applaud the members of the Committee for your collective efforts to propose to reinvest in the nation's facility infrastructure and develop long-term job opportunities. We welcome the opportunity to offer our views on the needs for an integral part of that issue - our public parks and recreation facilities. We are pleased that the Chairman has acknowledged parks and recreation in provisions throughout his bill, S.724.

Title X of P.L. 95-625, the Urban Park and Recreation Program (UPARR) of 1978 established the country's first program aimed specifically at replacement of deteriorating facilities. We believe there is much to be learned from this program - in planning, coordination and capital reconstruction - which could be of benefit both to the Committee in its deliberations and to the Administration as it implements the major program proposed in your bill. Further, we believe that S.724 might be strengthened in several ways which I will outline.

First, we urge inclusion of the term "public recreational facilities" along with parks wherever that word appears in the text. This change would permit local agencies to spend funds under this program for indoor recreation centers where urban residents and those in extreme temperature climates spend much of their free time.

Recreation is now widely recognized both as a key component of our physical and mental health and as a major force in the economic and social life of American communities. Seventy-six percent (76%) of all Americans say that close-to-home recreation lands and facilities are an important part of daily life. Participation in all recreation activities has soared during the past twenty years, placing increasing demand on existing land and crowded and often out-moded facilities.

Research shows that recreational facilities contribute significantly to American society in ways which include the following:

- Recreation now represents 12% of our GNP, making it one of the largest economic sectors in the country. Nationally it is estimated that recreation expenditures have grown from $58 billion in 1965 to $244 billion in 1981. (This is $77 billion more than was spent on national defense in 1981.) In 1981, American consumers spent $1 of every $8 on recreation;
- Five million Americans (one out of every 15) are employed in the recreation industry, including a high percent of youths and minorities. This does not include the significant contribution of volunteer hours which nationally saves billions of dollars in payroll expenditures;
- Local jobs are created through both the leisure service industry and manufacturing of recreation goods. Tourism, with its attendant economic benefits, is stimulated by local zoos, botanical gardens, cultural and recreation facilities;
- Local land values are often directly affected by the

proximity to, and quality of, public parks and community recreation facilities; and,

- Downtown shopping areas are being redesigned to incorporate parks and other amenities in order to attract more customers.

Research also has verified that recreation is an important human service, particularly for the young and old. For example, during the human stress and tragedy of the 1981 Atlanta, Georgia child murder cases, the police department used organized recreation as one of the most important and effective methods of community security.

Recreation agencies have frequently been far ahead of the medical community in raising public awareness of physical activity as a key component of mental and physical health. This is particularly important since forty-five percent of American adults never engage in meaningful physical activity or exercise; and, of the fifty-five percent who do, most do not meet minimum activity level recommendations of medical authorities.

In addition, parks and recreational facilities are a key element in urban environmental quality, in non-structural flood control; air and water quality improvement; wildlife habitat; preservation of historic public resources; and, waterfront revitalization.

Second, we recommend that under Title I - Public Capital Investment - Findings and Declarations an additional point be added which reads: "(4) The failure to reinvest at the necessary level in existing public facilities threatens loss of these facilities to public use."

This fact was one of the most disturbing conclusions of The National Urban Recreation Study of 1978, the most comprehensive assessment of urban recreation ever undertaken. Field teams interviewed over 2,000 government officials, recreation leaders, planners and private citizens in 88 cities nationwide.

The Study reached several important conclusions. The most glaring problem confronting urban recreation systems is the rapidly deteriorating state of existing facilities. Many local officials said that the development of new areas could frequently be deferred, but that managing the existing ones and making them both safe and useful was their top priority. Many financially strapped local governments have been forced to neglect badly needed short-term investments in recreation facilities.

The study conservatively estimated in 1977 that $3 billion was needed to rehabilitate existing urban recreational facilities. A 1980 survey of the city recreation resource rehabilitation needs by the National Recreation and Park Association (NRPA) estimated that $4.26 billion would be required over a five year period from 1981-85.

We believe that by including the additional text in the findings section as proposed above, you can underscore the danger of losing major portions of our existing public infrastructure.

Third, we recommend that the sections on planning and technical assistance, particularly Title III, Standby Public Investment, Section 302 be amended to require that states and local governments show how each public agency - whether a public works department, library system, or park and recreation agency - will use these funds in conjunction with other public and private funds to upgrade and enhance the entire system. If a plan is required only for the anticipated or available funds, and not for the upgrading of the function as a whole, the exercise will be of less use to local and state agencies than if you require these funds to be spent in context with other measures.

As a result of the UPARR Program there are now 260 cities which have completed Recovery Action Programs. Most of these cities had either no plan at all or only a capital development plan which did little to address other needs in the system.

The term "recovery" suggests re-establishing health for an entire system which is a process requiring many interacting steps.

The language in the UPARR authorizing act was very explicit on requirements for the plans. The major purpose of the UPARR Program is to stimulate local long-range commitment to the operation and improvement of park and recreation systems. The Plan requires that each city which chooses to participate in the program develop linkages among recreation activities and other community resources and revitalization activities. We call your attention to Section 1007 entitled "Local Commitments to System Recovery and Maintenance", of the attached Urban Park and Recreation Recovery Act of 1978; and, to the Handbook for Recreation Planning and Action prepared by the Heritage Conservation and Recreation Service as a technical assistance guide for the program.

Most cities have found the UPARR planning process to be a tool for survival in a time of austerity. On June 15, 1981 the House Committee of Interior and Insular Affairs held oversight hearings on the UPARR Program. Twenty mayors who appeared before the subcommittee described how the UPARR Program had significantly aided their efforts to improve and revitalize urban neighborhoods.

Collectively their testimony confirmed that the program made limited resources go a long way. The mayors emphasized that the Federal support helped their city managers think through reinvestment projects before they were started and for the first time, encouraged local park and recreation planning in a systematic and comprehensive way. The consensus was that the accomplishments of UPARR showed how a Federal program can help urban communities reinvest to encourage economic development and community livability.

Currently, an evaluation of the UPARR Program is being conducted by the Interior Department and is anticipated to be completed this June. We are hopeful that their findings will help guide this Committee and the Congress in determining how the nation's infrastructure and employment needs can best be met.

One element in the planning requirements of S.724 is a call for the finest aesthetic and functional design in all public improvements. The Works Progress Administration left a legacy of public projects during the 1930's which to this day are monuments of good civic design. Once again we have a chance to recreate public works to make them more serviceable and beautiful. The best principles of design should be employed, whether for sewers and wastewater treatment facilities, bridges, streets, schools, parks and recreation facilities, or other projects.

Fourth, we do not believe that the Secretary of the Army and the U.S. Army Corps of Engineers are equipped to manage the complexities of community development and redevelopment in the nation's efforts to improve its infrastructure and revitalize its economy. We have more confidence that either the Department of Housing and Urban Development (HUD) or the Economic Development Administration (EDA), both of which have more experience with the states and local governments, would administer the provisions of this bill far more effectively than the Corps.

Last, we would point out one minor correction. The Bill now states that under Title V Youth Employment, the Young Adult Conservation Corps could be employed by the agencies of the Interior Department such as the Bureau of Outdoor Recreation. In 1978, the Bureau became the Heritage

Conservation and Recreation Service which was subsequently abolished by Secretarial order in 1981. The reference to this agency should be deleted.

## Conclusion

In conclusion, let me say that the private sector, local, state and federal governments have all supported the remarkable growth in public recreation lands and facilities of all types, reflecting their belief that recreation is of significant value to America. Today it is time to reinvest in what we have too often neglected.

The challenge is for the Congress to build on our nation's accomplishments despite recent cutbacks in funding and work with all sectors of our society to improve our public systems, including parks and recreation.

For further information:

- o Barry S. Tindall, National Recreation and Park Association (703) 820-4940
- o William Lienesch, National Parks and Conservation Association (202) 265-2717
- o Sydney Home, Human Environment Center/National Committee for Urban Recreation (202) 393-5550
- o Meg Maguire, Consultant, Maguire/Reeder (202) 429-0777

## THE YOUTH EMPLOYMENT PROGRAMS IN TITLE V OF THE PROPOSED " PUBLIC INVESTMENT/JOBS ACT OF 1983, S. 729

## TESTIMONY BEFORE THE U.S.SENATE COMMITTEE ON ENVIORNMENT AND PUBLIC WORKS

by William Spring
former associate director
White House Domestic Policy Staff

Mr. Chairman, my name is William Spring. I am now a consultant to Frank Morris, President of the Federal Reserve Bank of Boston. Mr. Morris is the chairman of both the Boston Private Industry Council and of the Tri-Lateral Council for Quality Education, a Boston partnership between business and the schools. During the Carter administration I worked on employment issues on the domestic policy staff. For nearly ten years up until 1973 I worked for Senator Gaylord Nelson and was with him on his Subcommittee on Employment and Poverty.

Having worked on the enactment of the Youth Conservation and Community Improvement Projects (YCCIP) and the Young Adult Conservation Corps (YACC) legislation in 1977 it is a great pleasure for me to have this opportunity to testify on Title V of the proposed Public Investment/Jobs Act of 1983, S. 729. The Chairman of this committee, as author of the YCCIP program, knows of its origin. Too often in this nation we discard proven efforts and move on to the 'new'. I am pleased to support this effort to revive a tried and successful and popular program.

There are not enough jobs for young people in our nation, that is clear enough. But we also have young people who in too many cases lack the basic skills and maturity that work requires. And, for those without the help of well connected friends and relatives we lack to institutional infra-structure, you might say, to help them move into the job market. The Public Works Committee, over the years, has made major efforts to create jobs for the unemployed, and that is precisely what the current proposals would do. If I have any suggestions for your legislation it is that you consider seriously how best to help meet the other two inter-related problems I have mentioned while attacking unemployment.

### Youth Unemployment

For all of 1982 youth unemployment - for those 16 to 21 - averaged 20.5 percent while overall unemployment stood at 9.7. Both are higher now. For black youth the rate was 38.5 percent, and for black youth 16 to 19 it was 48 percent for the year. If you can't find work you get discouraged and drop out of the workforce. Participation rates full during 1982. For white 16 to 19 year olds participation rates fell from 57.3 to 55.8 percent. For blacks of the same age the drop was from 37 to 36.5 percent. Think of it. Only about one third of young black males are looking for work, and half of them cannot find it. We do not publish regular statistics on unemployment by income level, but if we did you would see unemployment rates and participation rates for poor white well below the national average for their race. We have a crisis in youth employment.

The near elimination of year round federally funded work experience programs since 1981 has hit poor and minority young people very hard during this time of terrible recession. Robert Taggart calculates that fully 20 percent of the employment gain for minority youth in the late 70's came through direct job creation programs.

### Education and Training

In Boston the city, the schools and the business community have been working together on a program to attack unemployment,education and training and the the school-to-work transition problem. The education situation is stark. Between freshman and senior year there is a loss of 47 percent of enrolled students. All may not be drop-outs. Many move. But 47 percent are gone. And this figure is typical of inner-city systems. Of those who are enrolled, Superintendent Robert

Spillane estimates that perhaps one third are too far behind in reading to handle high school material. Even in Boston's relatively healthy job market unlettered drop-out and unlettered graduates will not be able to cope. The jobs that required only a strong back or patient hands are rapidly going the way of agricultural employment. And we found that for young people, white as well as black and hispanic, who grow up in housing projects with low-income parents, the connection to the job market - to the jobs that do exist - is simply not there.

So, in Boston, the city, business and school leadership have developed the Boston Compact, an bargain under which nearly 150 companies have agreed to priority hiring of young graduates of the school system - qualified graduates - and the school system, school committee as well as superintendent have agreed to measured improvement in school performance in attendance, academic preparation and post-graduation success in finding work or going on to further education. The goal is 400 priority hires for seniors this year with perhaps 1,000 by the third year. The Boston Private Industry Council is acting as the connector be- school and work.

YCCIP

Senator Stafford's initiative which became the Youth Conservation and Community Improvement Program was a part of a collaborative effort between Congress and the administration during the Carter administration. The Youth Employment and Demonstration Projects Act of 1977 was, in fact, largely written on the Hill and included a number of valuable Congressional initiatives. Under the leadership of Vice President Mondale a Task Force on Youth Employment worked with leaders in education and training, unions and civil rights organizations, private sector and state and local officials to craft the Youth Act of 1980 that almost passed into law.

The YCCIP program was, in part, a reaction to the fear that too many work experience programs had too little work content, were really tranfer programs thinly diguised as work. Senator Stafford sought well supervized programs working on physical community improvements in fixing up public facilities, helping older people with their homes, especially with weatherization in cold climates. In short, the kind of solid work program the Public Works committee had long supported for adults.

The program worked. In 1980 some 43,000 young people, 16 to 19 were involved at a cost of $122 million. Although the program was not income tested, 84 per cent were economically disadvantaged and 60 percent were school drop-outs. The Department of Labor reported that 18 percent found jobs afteward and another 27 percent went on to further education or training.

Dr Robert Taggart's A Fisherman's Guide: An Assessment of Training and Remediation Strategies is a good gathering together and analysis of research on youth program. Taggart reports independent studies show a return of about $.50 in output for every dollar invested in YCCIP.

A variation in the VCCIP concept, the Ventures in Community Improvement Program (VICI) added to the basic model heavy vocational skill training component usually taught by union jouneymen with one supervisor for each six young people. VICI participants were a good deal more likely to find work and make substantial wage gains.

The Young Adult Conservation Corps, championed for so long by Senator Henry Jackson, is a modern version of the New Deal's Civilian Conservation Corps. In 1980 it served some 13,500 young people at a cost of $234 million. The cost per young person served, particularly in residential camps was high, about $10,800 each. Some 30 percent of the funding went to state programs, many of them day camps. While always controversial within the administration faced with daunting budget reduction demands, the YACC program was very popular with Congress and with its administrators in the Interior and Agriculture departments. They pointed out how cost-effective they felt the program to be in getting wilderness work done.

## S. 725

I note that in S. 725 it is proposed that the share of state programs be raised from 30 to 60 percent of the available funds. I believe this makes sense. And I note that for the whole title, eligibility, while not income tested, will require applicants to show that "appropriate efforts shall be made to insure that youths participating in programs... shall be youths who are experiencing severe handicaps in obtaining employment..." I also support this idea.

My one recommendation is that you consider going beyond your present provisions for links with educational agencies for academic credit and include provisions to make it possible for young people with basic skill difficiencies to make progress while in your work programs

The next decade will see sharp decline in the number of 16 to 24 year olds in the population: 20 percent overall, 25 percent for white young people. We must build the educational and employment institutions that can provide our young people with the education and work experience they need, and we need, to take advantage of this coming opportunity. The provisions of Title V of S. 725 are an important step in this direction.

# A FISHERMAN'S GUIDE

## An Assessment of Training and Remediation Strategies

ROBERT TAGGART

### Worksites as Training Sites

The Ventures in Community Improvement (VICI) demonstration in nine sites was designed to provide intensive vocational skills training in the workplace, and through linkages with unions and employer groups, to use publicly subsidized work as a transition mechanism into construction jobs and apprenticeships. Targeted to out-of-school youth, and providing work activities such as refurbishing public facilities and repairing homes occupied by the poor and elderly, the VICI program was similar to work experience activities funded under the Youth Community Conservation and Improvement Projects (as well as supported work for youth). Yet there were also several important differences: VICI projects were larger (60 participants vs. an average of 8 under YCCIP); they were funded for two years (vs. one for most YCCIP projects); they had more supervisors (one supervisor for every six participants, compared to a 1 to 10 ratio in typical YCCIP projects); much greater effort was placed on linkages with labor unions and apprenticeship programs, including the hiring of journeymen as supervisors; the projects were better planned and managed than most youth work projects; and, most importantly, the work activities were structured to provide occupational skills training. 83/

The differences between VICI and regular work projects are best illustrated by the cost breakdowns. 84/

| | Average VICI | Average YCCIP-1980 |
|---|---|---|
| Cost per person year | $13,833 | $7,793 |
| Cost per participant | $6,917 | $2,985 |
| Cost components | | |
| Administrative | 14% | 20% |
| Wages, salaries, and fringes | 38 | 59 |
| Worksite supervisors | 32 | 9 |
| Training | 15 | 7 |
| Services | 1 | 6 |

The basic question addressed by the VICI demonstration was whether this greater emphasis on supervision and training would increase the impact of the work experience on participant labor market success without sacrificing the output generated by menial work projects.

The costs of VICI and YCCIP were both offset by the productive output of participants. In the case of VICI, the estimated ratio of value of output (as judged by independent appraisers) to total costs including overhead was $.42, and the value added per dollar of participant wages was $.32. 85/ For a sample of YCCIP projects, the estimated output per dollar of costs was $.50, with $.46 in value added per dollar of participant wages. 86/ The simpler YCCIP projects had a higher output payoff because they were organized to do the type of work which youth could already perform or could master with very little effort, and there was limited expense for training and supervision. In contrast, the VICI projects involved work which required skills training and in which youth were relatively less productive. Output improved dramatically as VICI projects ran their course and participants acquired skills, whereas the productivity of YCCIP projects did not improve with time. For instance, over the course of a year, the value of output per hour in one of the VICI projects most carefully studied rose by 15 percent reflecting the learning of participants. 87/

The post-program employment rates of VICI participants three months after termination were roughly the same as those of a control group of youth not selected for VICI and participants in comparably large-scale work projects not emphasizing training, although they were higher than for regular YCCIP participants. However, the hourly wages were higher for VICI terminees because they more often found their way into construction jobs and unions (Table 3.19). The benefits were largely realized by the 19- and 20-year-old participants.

Table 3.19
Post-Program Employment Impacts of the Ventures
In Community Improvement Demonstration

| | Three-Month Follow-Up Status | | | |
|---|---|---|---|---|
| | VICI Participants | Control Group Nonparticipants | Participants in Comparably Large-Scale Work Projects Not Emphasizing Training | YCCIP Participants |
| Employed | 36.8% | 34.3% | 36.0% | 25.8% |
| Employed full-time | | | | |
| 17-18 | 29.4 | 35.7 | 33.6 | 26.5 |
| 19+ | 43.0 | 33.9 | 41.4 | 29.9 |
| Employed skilled construction (percent total) | 6.1 | 3.4 | 3.3 | 3.8 |
| Union membership (percent total) | 7.8 | 0.9 | 5.9 | 1.8 |
| Average wage among employed | | | | |
| Total | $4.51 | $3.88 | $4.42 | $3.31 |
| 17-18 | 4.08 | 3.35 | 3.38 | 3.31 |
| 19+ | 4.78 | 3.88 | 4.42 | 3.31 |
| Average wage among all terminees (earnings divided by total hours of employment) | | | | |
| Total | $1.66 | $1.33 | $1.36 | $ .89 |
| 17-18 | 1.20 | 1.20 | 1.14 | .88 |
| 19+ | 2.06 | 1.32 | 1.83 | .99 |

Source: Corporation for Public/Private Ventures. Ventures in Community Improvement demonstration, unpublished findings.

**NATIONAL COLLABORATION FOR YOUTH**
An affinity group of the National Assembly of National Voluntary Health and Social Welfare Organizations, Inc.

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# TESTIMONY

## ON S. 724, TITLE V -- YOUTH EMPLOYMENT

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

BY
SOLON B. COUSINS, EXECUTIVE DIRECTOR
YMCA OF THE USA

April 18, 1983

Presented on Behalf of the Following Member Organizations
of the
NATIONAL COLLABORATION FOR YOUTH:

American Red Cross
Big Brothers/Big Sisters of America
Boys Clubs of America
Camp Fire, Inc.
Future Homemakers of America
Girl Scouts of the USA
Girls Clubs of America
National Board, YWCA of the USA
United Neighborhood Centers of America, Inc.
YMCA of the USA

Mr. Chairman and Members of the Committee:

My name is Solon B. Cousins, and I am Executive Director of the YMCA of the USA. I am here today speaking on behalf of the National Collaboration for Youth, an affinity group of the National Assembly of National Voluntary, Health, and Social Welfare Organizations.

I want to thank you, Mr. Chairman, for extending the invitation to the National Collaboration for Youth to present our views and concerns on the important subject addressed in Title V of S. 724. We commend the authors of this legislation for giving substantive attention to the needs of unemployed youth. We are aware of other legislative proposals to enhance job opportunities for youth, which have been referred to other committees of this Congress. In our testimony today, we address only the legislation before the Committee on Environment and Public Works.

The National Collaboration for Youth is composed of 12 national voluntary youth-serving organizations. Member agencies supporting this testimony are: American Red Cross; Big Brothers/Big Sisters of America; Boys Clubs of America; Camp Fire, Inc.; Future Homemakers of America; Girl Scouts of the USA; Girls Clubs of America; National Board, YWCA of the USA; United Neighborhood Centers of America, Inc.; and YMCA of the USA. The Collaboration serves a total of 25 million young people under the age of 19, one third of the total youth population of that age. Collectively, our agencies work with 3 million volunteers.

The Collaboration members joined together in 1973 to work toward the achievement of common goals in providing services to the nation's youth. The member organizations of the Collaboration work in a variety of ways to address the vocational, employment, educational, health, and family life needs of young people. In 1976, the Collaboration adopted youth employment as a priority issue. In the position statement adopted at that time, two fundamental points were made:

1. Youth-serving agencies can and should play an important role in the development and implementation of national youth employment policies and programs.
2. The development of basic skills is the key to youth employability.

As representatives of private sector youth organizations, the Collaboration advocates for policies and programs to enhance youth development. It is in that role that I appear here today to communicate our comments on Title V of S. 724.

Background

The situation we face today is far worse than at any time since the Great Depression, particularly for youth and young adults. Currently, youth unemployment stands at 22.2 percent, with black teenage unemployment hovering around 50 percent. This situation appears to be worsening.

* In the 1960s and 1970s, teenage unemployment rose 1.5 percent for every 1 percent rise in total unemployment. In the last four years, however, the teenage rate went up 1.8 percentage points for each 1 percent rise in the total rate.
* Black teenagers traditionally experience a 3.0 percent unemployment increase for each 1 percentage point rise in total unemployment. Since 1978, their rate has risen 3.3 percentage points for each 1 percentage point increase in total unemployment.

Comparing annual average employment in 1979 and 1981, the cutbacks in CETA youth jobs accounted for one fourth of the decline in employment for black teenagers. By the Administration's own projections, unemployment will remain above 10 percent through this year and into 1984. Youth will therefore find it increasingly more difficult to make the transition for school to work.

The National Collaboration for Youth believes that Congress must recognize the severity and complexity of youth unemployment problems and respond accordingly. Youth should receive a substantial share of any jobs created by the federal government. For youth, the late teens and early twenties are a period of transition into the labor market. Not being able to find a job for five or six years can result in alienation and loss of faith in the system.

The National Collaboration for Youth has measured the provisions of Title V, S. 724, against the principles which our experience with youth has convinced us are essential to the successful development and implementation of effective youth employment policies and programs.

Major Points

Part A -- Youth Community Conservation and Improvement Projects

Sec. 511(1) -- Definitions. We support the definition of "community-based organization" as given in section 4(5) of the Job Training Partership Act.

Sec. 511(2). We are concerned about the inclusion in "community improvement projects" of jobs (C) "involving replacing asbestos in public elementary and secondary schools" and (E) "the removal of ureaformaldehyde foam insulation," since we believe exposure to such hazardous substances is particularly dangerous to the health of young people. If young people are to be trained in jobs where these substances are involved, it is essential that stringent precautions be taken to ensure their health and safety.

Sec. 511(5). We urge that the definition of eligible youth include the categories of youth "experiencing severe handicaps in obtaining employment" that appear in section 543 of this legislation.

Sec. 511(8). We are pleased with the inclusion of both community-based organizations and nonprofit organizations as "project applicants." National Collaboration for Youth agencies have demonstrated their effectiveness in providing a broad range of employment, training, and supportive services to youth.

Sec. 515(b)(3) -- Project Applications. We commend the provision to ensure adequate numbers of trained supervisory personnel. We recommend that training should also include a knowledge of health and safety factors that need to be taken into consideration in young people's work environment in such projects.

Sec. 516(b) -- Proposed Agreements. As there is no provision in section 121 of the Job Training Partnership Act to allow for nonprofit and community-based organizations to serve as referral sources for these project participants, we believe it is important to specify their inclusion. This will in turn enhance not only the cooperative approach among public agencies, but the collaborative efforts between the public and not-for-profit sectors which are a vital part of any successful job program for youth. We strongly support the provisions specified in subparagraphs (2) and (3) as mandatory inclusions of any proposal submitted by an eligible applicant. Any jobs legislation should encourage services that link employment and education. When the educational component is included, there have been noticeable increases in post-program employment and earnings, even for dropout youth.

Sec. 517(b)(2) -- Approval of Agreements. As mentioned above, linkages between employment and education are important components to be included in jobs legislation.

Part B -- Young Adult Conservation Corps

Sec. 532 -- Selection of Enrollees. In addition to provisions stated in paragraph (b)(1), we urge the inclusion of the categories of youth "experiencing severe handicaps in obtaining employment" which appear in section 543.

Sec. 533(c)(5) -- Activities of the Corps. Positive work experience for youth will enhance their interest in assuming their role as responsible taxpaying citizens in the coming decades.

Sec. 535 -- Prohibitions. In addition to prohibiting certain kinds of unsafe work, it should be required that project applicants provide a safe work environment and educational programs for enrollees as well as staff to learn about health hazards and safety precautions.

Sec. 536(a)(2)(B)(ii) -- State and Local Programs. The inclusion of nonprofit agencies in this provision is essential and commendable to ensure a greater degree of overall success in any job program for youth.

Part C -- General Provisions

Sec. 543(a) -- Special Provisions. As noted above, we recommend that the lagnuage describing youth "experiencing severe handicaps in obtaining employment" be incorporated in section 511(5) and section 532. We support the mainstreaming approach of including youth of different life experiences in such a job program and providing them with the opportunity of working together. The needs of our nation today are such that it is imperative the various sectors of our society learn to work together.

Sec. 544 -- Academic Credit, Education Credit, Counseling and Placement Services, and Basic Skills Development. In addition to the provisions included in this section, the supervisory personnel mentioned in section 515 need to have the capacity to develop the maximum opportunities for job participants to become knowledgeable of the requirements in the job market in order for them to be eligible for related trades and occupations they may wish to enter in their adult life.

On behalf of the National Collaboration for Youth, I offer our assistance in providing other successful program models and in your further deliberations on job creation legislation. We thank you for this opportunity to comment on S. 724, Title V.

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*Washington, D.C. 20006*

*(202) 659-0120*

May 5, 1983

The Honorable Robert T. Stafford
Chairman
Committee on Environment and Public Works
United States Senate
Washington, DC 20510

Dear Senator Stafford:

At the request of Mr. Christopher Mould and on behalf of the following agencies of the National Collaboration for Youth: American Red Cross; Boys Clubs of America; Camp Fire, Inc.; Future Homemakers of America; Girl Scouts of the USA; Girls Clubs of America; National Board, YWCA of the USA; United Neighborhood Centers of America, Inc.; and YMCA of the USA, I am forwarding the enclosed responses to your written questions following Mr. Mould's testimony on April 18, 1983. We were unable to obtain a response from Big Brothers/Big Sisters of America within the time constraints.

Again, we appreciate your inviting the Collaboration to participate in this process.

Sincerely,

Patty Bankson

Patty Bankson
Director
Washington Office

Encl.

*Egie Huff*
*President, National Council*
*Dale Vonderau*
*Chairman, National Board*
*Solon B. Cousins*
*Executive Director*

May 5, 1983

RESPONSES TO WRITTEN QUESTIONS FOLLOWING TESTIMONY ON TITLE V, S. 724,
BY CHRISTOPHER M. MOULD FOR THE NATIONAL COLLABORATION FOR YOUTH
BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
APRIL 18, 1983

1. *How reliable do you believe the current statistics are that measure the unemployment rates for various youth groups? Assuming recovery, how much can these figures be expected to change over the next months?*

2. *Would you please comment on where you see current employment trends for youths, and especially minority youths, headed?*

10. *The most startling figures seem to me to involve the low rate of participation of young blacks in the labor market. Would you discuss that and tell us what seems likely to reverse that trend?*

11. *What can you tell us about female youth unemployment and the problem young women have?*

Unemployment among youth is particularly difficult to measure. Youth jobs, when they can be found, are often short-term, moving youth in and out of the job market, which complicates an accurate assessment. That youth unemployment is both underreported and underestimated is more than a likely conclusion, especially as many who drop out of school also drop out of the labor force. That the full extent of youth unemployment, particularly among minorities, is not known is significant; more important is that we act on the deplorable conditions that are known. Figures and projections presented to the Committee by the Bureau of Labor Statistics make clear the magnitude of the problem for all youth, and the desperate situation confronting black and other minority youth in particular.

Economic recovery offers little direct hope for many of those young people who now constitute our "youth unemployment problem." Increasing numbers of youth not only lack technical training but do not have even the basic skills necessary for entry-level jobs. The ongoing transition from manufactures to service industries may well exacerbate the difficulties such youth face, even if general unemployment declines. This fact is even more important in the growth industries which offer the most favorable prospects for new jobs under conditions of economic recovery.

Several conditions further support the probability that youth unemployment problems, especially for those groups most affected now, will continue. One is that overall unemployment is expected to remain high for some time, even with recovery. The second is that problems with public education, now producing high school graduates with poor literacy and math skills, are not resolved. Third, employers are reluctant to hire a young person when older workers are available. Federal leadership in encouraging private employers to hire youth, especially smaller employers, is essential to overcome reluctance to "take on problems."

For youth, the late teens and early twenties are a period of transition into the labor market. Not being able to find a job in those years, both because jobs are scarce and because some youth lack even minimal qualifications for employment, can result in alienation and loss of faith in the system. Positive work experience in that time of transition from school to work would, instead, enhance the ability and interest of those youth in assuming their role as responsible, taxpaying citizens in the coming decades. For many unemployed youth, key steps in that process include not only developing occupational skills, but learning to compose a sentence, to balance a checkbook, to fill out an application, to arrive at work on time, and to respond to supervision.

Demographic trends charted by the Bureau of Labor Statistics and others indicate that those youth population groups with the greatest present difficulty will constitute a larger portion of the general population in coming years. To the extent that their present problems stem not only from recession and declining urban employment, but also from the lack of particular skills needed for successful competition in the job market, the future for minority youth remains bleak without additional intervention.

Young women face particular difficulties not only in finding a job when jobs are scarce, but also in overcoming sex-stereotyping that limits their future opportunities. Too often, young women are segregated into traditional fields that pay on the average 59 cents to every dollar earned by male workers. Any employment and training program should be designed to ensure not only that female youth are included, but that they are included in the full range of possible training and job options. Effective counseling services are essential in this regard. Care must also be given to enabling young women who are single parents to participate. Training and placement of young single parents has implications not only for their own involvement in society as wage-earners, but for the future status of their children.

3. *What is the danger that the relatively short-term nature of the employment and training to be found under Title V will merely provide a temporary employment fix, and not attack the real and more serious problem of a lack of skills and training for long-term unemployment? What further efforts are needed?*

The National Collaboration for Youth has consistently called for links between education and employment, and has developed considerable expertise in facilitating such links through its own programs. Such linkage fosters the school-to-work transition by providing youth with basic "employability skills" -- those skills needed to seek, find, and hold jobs -- alongside the positive gains to be derived from actual work experience and job training. Such specific linkages are necessary not only for drop-outs but for many in-school youth whose school attendance and grades predict poor employment prospects, and even for many high school graduates.

An employment and training program which ties together employment, job-specific training, and basic education and employability training will have much more lasting impact than a simple "employment fix." The long-term significance of overcoming the employability problems of youth -- for successful participation in the labor market as adults -- further enhances investment in education/employment linkages.

4. *Do you believe that Title V encompasses the needs of our unemployed urban youths adequately?*

Realistically, we cannot expect any single legislative impetus to address the needs of urban unemployed youth "adequately." As important as the funding level may be the degree to which the many components of successful youth training and job programs are incorporated and coordinated, including those we suggest above under education/employment linkages. Within that context, the question of sufficient attention in Title V to urban youth is partly a question of allocation of resources. Urban park revitalization, for instance, is but one of 17 stated activities proposed for the Young Adult Conservation Corps. In addition, some activities proposed under the Youth Community Conservation and Improvement Projects may be limited by the need to meet such requirements as local building codes. Sufficient flexibility in program design should be permitted to allow planners and service deliverers to determine what kinds of work can best be undertaken to train and employ the most youth.

5. *The earmarking of funds to areas of high unemployment will attack the relatively immediate problems of high unemployment among the*

*nation's youth. Will you please comment upon how unemployed young people might be encouraged to seek training in an industry, or new geographical location, that would provide the promise of long-term employment?*

Career awareness programs are useful vehicles for educating youth about the nature and requirements of occupations they might profitably pursue. Key elements of such programs could be included as part of the training that accompnies assignment to a Community Improvement Project or enrollment in the Conservation Corps. As youth enter the programs, adequate attention should be given to needs assessment so they may benefit from counseling on occupations appropriate to their interests and potential skills. As noted in our testimony, we believe that the legislation should explicitly include counseling activities such as providing information on the requirements of related trades and occupations.

We do not believe employment and training programs for youth should encourage geographic relocation. Other concerns regarding family life and stable relationships take precedence, and the age at which young people begin to establish independence variers considerably. Particularly for younger participants, a legislated intent to encourage youth to relocate would be inappropriate.

6. *What mechanism do you believe would be the best means for distributing monies appropriated for youth jobs under Title V? How would you analyze the Job Training Partnership Act that stresses local government in relation to the Title V approach using the Community Services Block Grant Act mechanism?*

We note that the Job Training Partnership Act structure is new, and in most states considerable work remains to be done before the structure will be complete and functional. We are therefore unable to draw on our own experience to compare the two systems. We do draw attention, however, to the importance of involving nonprofit organizations in implementing these programs.

7. *Is there a danger of states and project applicants using the monies on community service projects that would be undertaken anyway and thus having no net effect on the unemployment rate? How can that be prevented?*

To be effective, project applicants under Title V would have to design projects specifically to meet the needs of unemployed youth in the community. Since such needs are currently scarcely addressed, it is unlikely that Title V projects would supplant work already undertaken in the normal course of state and local decision-making. It is evident that few communities in areas of high unemployment are able to undertake the range of community improvement and community service projects they need. The involvement of the nonprofit sector would also help in identifying unmet needs toward which Title V projects could be directed.

8. *Would you please comment on the role that you feel that local communities should play in this effort? What partnership between the federal government and private industry might prove useful?*

9. *You may have heard Dr. Norwood discuss the very discouraging figures regarding youth employment. Do you see much evidence that industry as a whole sees this as a real problem that it faces?*

Public/private partnerships and the involvement of the local community are both important in effective planning and implementation of training and employment programs, as is true in many other areas of social need. In particular, local decision-making can better reflect actual local conditions -- the need for community services and community improvements, the needs of those without jobs in the community, the needs of local industries. One potential partner in public/private partnerships and in federal policy affecting local decision-making is, however, often overlooked. The nonprofit sector -- despite its extensive experience and often unique expertise in meeting needs at a people-to-people level, in stimulating corporate involvement, in nurturing voluntarism, in developing programs that are both cost-effective and people-effective -- is still omitted all too often.

Furthermore, a strong role in employment and training programs remains for the public sector, especially regarding youth. We believe that federal standards and monitoring are essential and that federal leadership is needed to encourage private business to play its full role.

Corporate involvement in such forums as the recent President's Task Force on Private Sector Initiatives gives evidence of corporate recognition that businesses are also "members" of society, with important roles beyond the production of goods and services. Collaboration agencies include on their National Boards anywhere from 15% to 75% business representation, just one indication of the capacity of such organizations to involve the business sector. In some localities, business participation in job training programs will likely increase under the structure of the new Job Training Partnership Act. These and other factors may help foster greater awareness in the business community of the long-term implications of high youth unemployment. Such understanding, as evidenced by the experience of Collaboration agencies whose youth development programs often involve local businesses and corporations, can be critical in seeking solutions to the difficult problems of youth unemployment. In the long run, although the business community may not train youth in the very basic skills we have mentioned throughout this statement, businesses must give attention to ways to open their doors to youth in need of jobs and job-specific training.

Effective partnership will require public sector funding and leadership, delivery of training services and early employment supervision through a wide variety of agents including nonprofit youth organizations, and corporate commitment to facilitating the transition to unsubsidized entry-level employment.

Finally, we would point out that Collaboration agencies themselves are also experienced employers of youth, and provide work sites for many persons in population groups targeted by national programs. Jobs with organizations such as those in the National Collaboration for Youth can provide useful training and employment for those in need of such opportunities and can also provide many of the human services desperately needed in areas of high unemployment.

**National Conference of State Legislatures**

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STATEMENT OF

SPEAKER ALAN J. KARCHER

NEW JERSEY GENERAL ASSEMBLY

ON BEHALF OF

THE NATIONAL CONFERENCE OF STATE LEGISLATURES

ON

S. 23, S. 532, AND S. 724 - INFRASTRUCTURE LEGISLATION

BEFORE THE

SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

APRIL 18, 1983

Mr. Chairman, members of the committee, my name is Alan Karcher. I'm the Speaker of the General Assembly in New Jersey. I appear before you today representing the National Conference of State Legislatures, the spokesman for the 7,500 state legislators in our fifty states.

I need not bore you, Mr. Chairman, with a long list of statistics about the sad shape of our nation's infrastructure. You and members of the committee know the problem. Permit me to just cite a few examples from my own state. The cost of constructing, repairing, and maintaining New Jersey's highways, bridges, and mass transit systems will be $4.9 billion in the next seven years. To meet federally mandated clean water standards we must spend $4.0 billion on 237 wastewater treatment construction or rehabilitation projects. The figures are staggering.

States now play and will continue to play the primary role in our nation's infrastructure development and maintenance. In 1980, for example, states raised $19.7 billion to support highways and bridges. That same year Federal government revenues flowing into the Highway Trust Fund were only $7.6 billion, while local government revenues for streets and bridges were only $3.3 billion. Even with the sharp increase in the federal motor fuel tax, states will collect about twice as much money from highway users as the Federal government.

The Federal government must accept a large portion of the blame for the deteriorated condition of our nation's transportation, fresh water, and wastewater treatment systems. A November 1982 study of infrastructure by the United States General Accounting Office concluded that Federal highway and wastewater treatment programs distort infrastructure spending by state and local

GOVERNMENTS, BECAUSE THEY HAVE A BUILT-IN BIAS TOWARDS NEW CONSTRUCTION. GRANTS IN THESE AREAS, ACCORDING TO GAO, "PROVIDE INCENTIVES FOR THE REPLACEMENT OR NEW CONSTRUCTION OF CAPITAL FACILITIES, BUT SELDOM CONTAIN INCENTIVES FOR REHABILITATION AND MAINTENANCE OF EXISTING INFRASTRUCTURE."

THE GAO INFRASTRUCTURE REPORT CITES A STUDY BY THE AMERICAN PUBLIC WORKS ASSOCIATION WHICH INCLUDED A SURVEY OF LOCAL PUBLIC WORKS ADMINISTRATORS. ONE QUESTION DEALT WITH HOW THE AVAILABILITY OF FEDERAL FUNDS FOR CAPITAL IMPROVEMENTS AFFECTS LOCAL PRIORITIES IN A NUMBER OF INFRASTRUCTURE CATEGORIES. MORE THAN 90 PERCENT OF THE RESPONSES TO THIS QUESTION INDICATED THAT FEDERAL CAPITAL FUNDS TENDED TO CAUSE PUBLIC WORKS ADMINISTRATORS TO LOWER THEIR PRIORITIES FOR MAINTENANCE AND/OR REHABILITATION OF EXISTING STRUCTURES FOR WHICH THEIR LOCAL GOVERNMENTS WERE RESPONSIBLE.

THE CONGRESSIONAL BUDGET OFFICE WILL SOON RELEASE A STUDY OF INFRASTRUCTURE THAT MAKES THESE SAME POINTS. LAST THURSDAY A REPRESENTATIVE OF CBO TOLD TWO NCSL COMMITTEES - TRANSPORTATION AND COMMUNICATIONS AND NATURAL RESOURCES AND ENVIRONMENT - THAT FEDERAL TRANSPORTATION PROGRAMS WERE TOO CAPITAL INTENSIVE. THEY CONTAIN LARGE INCENTIVES FOR CAPITAL INTENSIVE HIGHWAY AND BRIDGE CONSTRUCTION PROJECTS AS OPPOSED TO MAINTENANCE AND REPAIR WORK. FEDERAL WASTEWATER TREATMENT GRANTS CAN BE USED ONLY FOR NEW CONSTRUCTION.

FEDERAL TRANSPORTATION AND WATER PROGRAMS INCLUDE A NUMBER OF RULES, REGULATIONS, AND REQUIREMENTS THAT FORCE UP THE COSTS OF THE PROJECTS UNDERTAKEN. THE CBO INFRASTRUCTURE STUDY WILL MAKE THE POINT THAT FEDERAL STANDARDS IMPOSE HIGHER THAN NECESSARY COSTS WHEN STATE AND LOCAL GOVERNMENTS USE FEDERAL FUNDS. TWO EXAMPLES MENTIONED BY THE CBO REPRESENTATIVE WHO SPOKE

TO US LAST WEEK WERE UNREASONABLY HIGH BRIDGE CONSTRUCTION STANDARDS FOR LOCAL BRIDGES AND THE SECTION 13(C) WAGE PROVISIONS OF THE URBAN MASS TRANSIT ACT.

THE FEDERAL-AID HIGHWAY PROGRAM IS PARTICULARLY NOTABLE FOR ITS RED TAPE AND DELAYS THAT FORCE UP THE COSTS OF HIGHWAY AND BRIDGE PROJECTS. ENVIRONMENTAL IMPACT STATEMENTS, PUBLIC PARTICIPATION REQUIREMENTS, HISTORIC PRESERVATION PROVISIONS, AND 402 DREDGE AND FILL PERMITS ARE SOME OF THE FEDERAL REQUIREMNTS THAT CAUSE INEFFICIENT USE OF BOTH FEDERAL AND STATE FUNDS INVOLVED IN IMPORTANT PROJECTS. STUDIES CONDUCTED BY MONMOUTH COUNTY IN MY STATE IN THE LATE 1970S PROVIDE EXAMPLES OF THE PROBLEM. MONMOUTH COUNTY STAFF HAD TO SPEND 1,450 HOURS OF STAFF TIME OVER A SIX YEAR PERIOD ON A FEDERALLY FUNDED HIGHWAY INTERSECTION PROJECT, WHILE A SIMILAR COUNTY FUNDED PROJECT REQUIRED ONLY 170 STAFF HOURS OVER A THREE YEAR PERIOD. A FEDERALLY FUNDED COUNTY BRIDGE PROJECT REQUIRED 1,541 OF MONMOUTH COUNTY STAFF HOURS OVER A FIVE YEAR PERIOD AND THE PROJECT WAS STILL IN THE PRE-DESIGN STAGE WHEN THE STUDY DEADLINE PASSED. A SIMILAR COUNTY FUNDED BRIDGE PROJECT NEEDED ONLY 143 STAFF HOURS TO MOVE THROUGH THE PRE-DESIGN, DESIGN, AND CONSTRUCTION PHASES OVER A THREE YEAR PERIOD. STATE AND LOCAL DOLLARS ARE STRETCHED TOO TIGHT TO BE FORCED TO BEAR THESE UNWARRANTED COSTS ANY LONGER.

A FURTHER PROBLEM WITH FEDERAL TRANSPORTATION PROGRAMS IS THE SHARP FUNDING INCREASES AND DECREASED AND GENERAL UNPREDICTABILITY WHICH MAKES STATE AND LOCAL PLANNING DIFFICULT. FEDERAL HIGHWAY OUTLAYS WENT FROM $9 BILLION IN FY 1981 DOWN TO $7.9 BILLION IN FY 1982, AND ARE NOW EXPECTED TO REACH $8.8 BILLION IN FY 1983 AND THEN $12.3 BILLION IN FY 1984. BEING FROM NEW JERSEY I AM PARTICULARLY SENSITIVE TO LAST MINUTE CHANGES IN FEDERAL MASS TRANSIT FUNDING.

THE RECENTLY PASSED SURFACE TRANSPORTATION ASSISTANCE ACT SEEMED TO MARK A BREAKTHROUGH IN FEDERAL FUNDING, BUT THE PRESIDENT'S BUDGET REQUEST FOR ENDING OPERATING SUBSIDIES MAKES STATE PLANNING DIFFICULT.

FEDERAL ECONOMIC POLICY AND BUDGET ACTIONS HAVE SEVERELY LIMITED THE ABILITY OF STATE AND LOCAL GOVERNMENTS TO INCREASE SPENDING TO ADDRESS INFRASTRUCTURE PROBLEMS. FEDERAL HANDLING OF THE ECONOMY HAS PRODUCE ALMOST FOUR YEARS OF ECONOMIC STAGNATION, SPANNING TWO ADMINISTRATIONS, THAT HAS CAUSED DECLINES IN STATE REVENUES. GRANTS TO STATE AND LOCAL GOVERNMENTS HAVE BEEN CUT MORE THAN ANY OTHER PART OF THE BUDGET IN THE PAST TWO YEARS. IN ADDITION, THE FEDERAL GOVERNMENT HAS IN EFFECT PARTIALLY PREEMPTED TRADITIONALLY IMPORTANT SOURCES OF STATE REVENUES BY RAISING THE MOTOR FUEL TAX AND CIGARETTE TAX.

STATES HAVE HAD TO RAISE THEIR OWN TAXES TO OFFSET ECONOMIC STAGNATION AND FEDERAL CUTBACKS. IN DECEMBER 1982 FOUR STATES, INCLUDING MY OWN, RAISED BOTH GENERAL SALES TAXES AND PERSONAL INCOME TAXES. SO FAR IN 1983 FIVE STATES HAVE RAISED PERSONAL INCOME TAXES AND EIGHT HAVE INCREASED SALES TAXES. STATES CANNOT, HOWEVER, BEAR THE BURDEN OF REPAIRING OUR INFRASTRUCTURE ALONE.

THE NATIONAL CONFERENCE OF STATE LEGISLATURES HAS NO INFRASTRUCTURE POLICY PER SE. WE SHARE, WITH BOTH S. 532 AND S. 724, THE GENERAL PHILOSOPHY THAT MORE DECISIONS ON INFRASTRUCTURE ISSUES MUST BE RETURNED TO STATE AND LOCAL GOVERNMENTS. WE HAVE EXISTING POLICY POSITIONS ON TRANSPORTATION AND WATER SYSTEMS THAT DIRECTLY RELATE TO THE SUBJECT AREAS OF THESE BILLS. IN ADDITION, WE HAVE BEGUN THE PROCESS OF DEVELOPING A COMPREHENSIVE INFRASTRUCTURE POLICY, AND I CAN REPORT ON THESE DELIBERATIONS.

NCSL FAVORS RETURNING TO STATE AND LOCAL CONTROL THE CURRENT FEDERAL-AID URBAN AND SECONDARY HIGHWAY PROGRAMS, THE BRIDGE PROJECTS ON THESE TWO SYSTEMS AND THE OFF-SYSTEM BRIDGES, AND THE SAFETY CONSTRUCTION PROGRAMS ON THESE SYSTEMS. COMMENSURATE WITH THE RESPONSIBILITY TURNED BACK, THE FEDERAL GOVERNMENT SHOULD TURN BACK ADEQUATE FUNDS FOR THESE PROGRAMS. THE URBAN AND SECONDARY SYSTEMS ARE IN THE WORST SHAPE OF ANY OF THE FEDERAL- AID HIGHWAY SYSTEMS. YET, THEY RECEIVED VIRTUALLY NO INCRESE IN AUTHORIZATIONS IN THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982. STATE AND LOCAL GOVERNMENTS HAVE A VITAL INTEREST IN THESE HIGHWAYS BECAUSE THEY CARRY PRIMARILY STATE AND LOCAL TRAFFIC. IF THE STATES ARE GIVEN ADEQUATE RESOURCES AND IF THE BURDEN OF FEDERAL REQUIREMENTS ARE LIFTED, WE WILL TAKE GOOD CARE OF THESE HIGHWAY SYSTEMS.

NCSL FAVORS A TRUE BLOCK GRANT APPROACH FOR MASS TRANSIT PROGRAMS. THE RECENTLY ENACTED SECTION 9 TRANSIT BLOCK GRANT PROGRAM IS A STEP IN THE RIGHT DIRECTION. HOWEVER, AS LONG AS THE PROGRAM CONTAINS A CAP ON THE AMOUNT OF FUNDS THAT CAN BE USED FOR OPERATING ASSISTANCE, IT FAILS TO GIVE STATES WHICH OPERATE TRANSIT SYSTEMS - SUCH AS NEW JERSEY - AND LOCAL TRANSIT OPERATORS THE MAXIMUM FLEXIBILITY NEEDED. NOTHING WOULD BE MORE WASTEFUL OF FEDERAL DOLLARS THAN FORCING DISCONTINUATION OF TRANSIT LINES THAT HAVE NEW FEDERALLY FUNDED BUS AND RAIL EQUIPMENT BY PROHIBITING THEM FROM USING FEDERAL FUNDS FOR OPERATING EXPENSES.

WITH REGARD TO FEDERAL WATER POLICY, NCSL BELIEVES CONGRESS SHOULD ENACT A WATER QUANTITY/QUALITY BLOCK GRANT PROGRAM. THE PROGRAM SHOULD COMBINE WATER POLLUTION CONTROL AND MUNICIPAL WATER SUPPLY AND REHABILITATION PROJECTS WITH

TRADITIONAL WATER DEVELOPMENT PROJECTS IN A SINGLE FEDERAL FUNDING MECHANISM. THIS PROGRAM WOULD INCREASE STATE AND LOCAL FLEXIBILITY UNDER FEDERAL WATER PROGRAMS.

IN SHORT, NCSL BELIEVES THERE ARE A NUMBER OF STEPS THAT CAN AND SHOULD BE TAKEN TO RESTRUCTURE CURRENT PROGRAMS. FIRST AMONG THESE IS ELIMINATION OF THE IMBALANCE IN PRESENT PROGRAMS THAT CONTAIN INCENTIVES FOR NEW CONSTRUCTION OR EXPENSIVE RECONSTRUCTION AND DISINCENTIVES FOR ROUTINE REPAIR AND MAINTENANCE. THESE AND OTHER STEPS SHOULD GIVE STATES AND LOCAL GOVERNMENTS MORE FLEXIBILITY IN THE USE OF FUNDS AND REMOVE ADMINISTRATIVE BURDENS, THUS MAKING MORE EFFICIENT USE OF BOTH FEDERAL AND STATE DOLLARS INVESTED IN OUR INFRASTRUCTURE.

BUT CURRENT PROGRAMS, EVEN IF RESTRUCTURED, MAY NOT BE ENOUGH. NCSL BEGAN THE PROCESS OF DEVELOPING A COMPREHENSIVE POLICY ON INFRASTRUCTURE LAST WEEK AT OUR SPRING STATE-FEDERAL ASSEMBLY. WHILE I CANNOT REPORT ANY FIRM POLICY POSITIONS ON THE SHAPE OF THE NEW PROGRAM AT THIS TIME, I CAN INDICATE THE APPROACHES WE FIND MOST APPEALING.

INFRASTRUCTURE CAN MEAN ALL THINGS TO ALL PEOPLE. NCSL FAVORS LIMITING THE DEFINITION TO WATER SUPPLY, WASTEWATER TREATMENT, RESOURCE RECOVERY, AND TRANSPORTATION PROJECTS WHICH PROVIDE THE BASIC UNDERPINNINGS OF ECONOMIC ACTIVITY. EXCLUDED WOULD BE CAPITAL ITEMS SUCH AS PRISONS, SCHOOLS, OTHER PUBLIC BUILDINGS, AND HOUSING.

OUR PRELIMINARY REVIEW OF NEW PROGRAM PROPOSALS LEADS US TO FAVOR THE CONCEPT OF A FEDERAL PROGRAM TO SUPPORT STATE INFRASTRUCTURE BANKS, AS EMBODIED IN S. 532 SPONSORED BY SENATORS DOMENICI AND BRADLEY. THIS APPROACH SEEMS PREFERABLE TO ONE THAT WOULD CREATE A NEW PROGRAM REQUIRING A 50 PERCENT STATE

MATCH. STATES ARE STRUGGLING RIGHT NOW TO RAISE FUNDS TO MATCH THE EXPANDED FEDERAL HIGHWAY PROGRAMS AND TO COVER PROJECTED BUDGET DEFICITS. AS YOU KNOW, MR. CHAIRMAN, EVERY STATE BUT YOUR OWN MUST BALANCE ITS BUDGET, AND I DOUBT THAT VERMONT STRAYS VERY FAR FROM A BALANCED BUDGET.

NCSL AT THIS TIME DOES NOT SEE THE NEED FOR A NEW FEDERAL PROGRAM TO ASSESS THE NATION'S INFRASTRUCTURE NEEDS. THE FEDERAL GOVERNMENT ALREADY HAS IN PLACE SOPHISTICATED SYSTEMS TO ASSESS WASTEWATER TREATMENT AND FEDERAL-AID HIGHWAY AND BRIDGE NEEDS. IN OTHER WORDS, THE FEDERAL GOVERNMENT ALREADY HAS NEEDS ASSESSMENT SYSTEMS FOR THOSE INFRASTRUCTURE ELEMENTS IT HELPS FINANCE. MOST INFRASTRUCTURE FACILITIES ARE FINANCED AND CONSTRUCTED BY STATE AND LOCAL GOVERNMENTS. THE MOST PRODUCTIVE ASSESSMENTS SHOULD BE CONDUCTED AT THESE LEVELS. FEDERAL FUNDS ALLOCATED TO STATE INFRASTRUCTURE BANKS TO MEET STATE AND LOCAL NEEDS SHOULD BE BASED ON STATE ASSESSMENTS OF NEEDS AS REVIEWED BY THE FEDERAL GOVERNMENT.

ONE NEW PROPOSED FINANCING MECHANISM FOR INFRASTRUCTURE PROJECTS IS THE MUNICIPAL TAXABLE BOND OPTION, AN APPROACH EMBODIED IN S. 533 SPONSORED BY SENATORS DOMENICI AND BRADLEY. WHILE THIS BILL HAS BEEN REFERRED TO THE SENATE FINANCE COMMITTEE, SINCE IT IS INTENDED BY ITS SPONSORS TO BE COMPLIMENTARY TO S. 532, I THINK IT APPROPRIATE TO AT LEAST COMMENT ON IT HERE. NCSL ADOPTED A POLICY POSITION LAST WEEK THAT STATES WE WOULD SUPPORT CONSIDERATION OF A SUBSIDY FOR TAXABLE BONDS SO LONG AS THAT SUBSIDY WAS AT THE OPTION OF AND AVAILABLE TO ANY GOVERNMENT OR GOVERNMENT SPONSORED ISSUER; THE PURPOSE FOR WHICH BONDS TO BE ISSUED WAS NOT SUBJECT TO REVIEW OR APPROVAL BY THE FEDERAL GOVERNMENT; THAT THE SUBSIDY BE AVAILABLE FOR THE ENTIRE TERM OF THE BOND AND

NOT OTHERWISE AFFECT THE TAX-EXEMPT STATUS OF OTHER BONDS; AND THAT COSTS RELATED TO DISTRIBUTING THE SUBSIDY FUNDS TO THE BONDHOLDERS WERE NOT INCURRED BY STATES AND LOCALITIES.

NCSL HAS SEVERAL CONCERNS BEYOND OUR POLICY POSITIONS ABOUT ANY NEW FEDERAL PROGRAM THAT WOULD BE AIMED AT IMPROVING OUR NATION'S INFRASTRUCTURE. THESE CONCERNS DO NOT APPEAR TO BE ADDRESSED IN EITHER S. 532 OR S. 724.

- WHICH, IF ANY, FEDERAL CONSTRUCTION STANDARDS, RULES AND REGULATIONS, OR STATUTORY CROSS-CUTTING MANDATES WILL STATE AND LOCAL GOVERNMENTS BE REQUIRED TO FOLLOW WHEN THEY CONDUCT INFRASTRUCTURE PROJECTS?
- HOW WILL USER FEES BE DEFINED? WILL A USER FEE HAVE TO BE A SPECIFIC CHARGE, SUCH AS A TOLL FOR USING A PARTICULAR ROAD, OR A MORE GENERAL CHARGE SUCH AS A MOTOR FUEL TAX FOR HIGHWAY USERS?
- IS IT NECESSARY TO SPECIFY THAT THE LOAN FOR EACH PROJECT BE REPAID WITH USERS FEES FROM THAT PROJECT? SHOULD NOT STATES HAVE THE PEROGATIVE TO DECIDE HOW A LOAN WOULD BE REPAID?
- HOW CAN THE FUNDING FOR ANY NEW PROGRAM BE MADE PREDICTABLE OVER THE LONG TERM TO ALLOW EFFICIENT STATE AND LOCAL PROJECT PLANNING?

- If the Federal government decides to support state infrastructure banks, how will the Federal government determine that a state has an infrastructure bank and how much time will each state have to set up a bank?

NCSL will continue its effort to develop a comprehensive infrastructure policy at our annual meeting in August. We appreciate, Mr. Chairman, your invitation to come before your committee today. We applaud your efforts to focus attention on an area that has been so long neglected. We stand ready to work with you and your staff to craft a legislative proposal acceptable to the Federal government that will help state and local governments address the infrastructure problem.

I would be happy to answer any questions.

TESTIMONY OF WILLIAM J. MARRAZZO
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BEFORE
THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, D.C., APRIL 22, 1983

My name is William Marrazzo, Commissioner of the City of Philadelphia Water Department. I am honored to be able to address this Committee today. However, it is unfortunate that I must report on the sad state of this nation's infrastructure. A growing trend has developed in the last few decades which has led away from infrastructure investment and towards its continued decay and deterioration. Nowhere is this more apparent than in the older cities of the Northeast and Midwest. It is my purpose to discuss with you today the impact which past Federal infrastructure policies have had on a large, public water utility and its needs for a new, more equitable national water policy for the future.

Philadelphia is one of America's oldest cities and has a rich heritage which includes being among the leaders in instituting technological innovations. This heritage is shared by Philadelphia's water system which is now 180 years old. Ours had been the first water system in America to use steam powered pumps for large scale service and the first to adopt water wheels and water turbines. At one time Philadelphia operated the largest slow sand filters in the world. The old Fairmount Water Works, an outstanding engineering feat of the early 19th century, has been designated a National Historic Civil Engineering Landmark by the American Society of Civil Engineers. Along with this rich history, however, the Philadelphia Water Department possesses many of the problems inherent in an aging water utility.

The water distribution system serves a total population of about two million people within the City of Philadelphia and a portion of the surrounding suburban areas. It consists of more than 3250 miles of pipeline of which approximately 1120 miles were laid prior to the turn of the century. One of our most urgent water infrastructure needs is the replacement of old water mains which have exhibited high breakage and leakage rates. During the 1950's and 1960's the Department had been building both new mains and replacement mains at a rate of about 35 miles of pipe each year. However, due to fiscal restraints this program has only averaged about 10 miles per year through the 70's. At this rate of main replacement it will take 325 years to completely turn over the system.

The Department has conducted a series of studies to determine what level of capital expenditures will be necessary to maintain its distribution system at its current level of integrity through the year 2005. An initial assessment, based on the assumption that the current average age of the distribution system (68 years) would be maintained, showed that 20% of the distribution system (650 miles of mains) would have to be replaced over 25 years at an estimated cost of $325 million. Since Philadelphia is currently completing construction of its wastewater treatment plants as mandated by the Clean Water Act, this accelerated replacement program can not proceed until Fiscal Year 1988. The first 10 years of the program is projected to cost the City $188 million.

The Department has been experiencing a high rate of water main breaks recently and all indications are that this rate will continue to increase in the near future. For Fiscal Years 1977-1980 there has been an average of 1166 breaks per year. This represents a significant increase in the number of breaks compared to the 1960's and early 1970's when 600-700 breaks per year was the norm. Reasons for this increase are currently being investigated using a computerized inventory system developed by the Department to geographically and statistically analyze break trends. Current research indicates that our distribution system is very sensitive to harsh winter climatic conditions that result in frost penetration and severe structural loads. Mains that are weakened by corrosive environments such as corrosive soils or stray electrical currents from trolleys, substations or other utilities' cathodic protection systems are particularly susceptible. Leakages from customer services also create corrosive soil conditions for distribution mains, as well as undermine water main bedding conditions. Both of these situations may lead to a water main break at a later time. The Department has an extensive leak detection program to find water main and customer service leaks. This program has been targeted in recent years to areas of the City that have exhibited abnormally high leakage rates historically.

The Department is currently developing a series of criteria to determine when a given main or geographic area should undergo a replacement program and when it should undergo intensive operations and maintenance activities such as leak detection to keep leakage and breakage rates as low as possible. Since the cost of main replacement is very high compared to these operation and maintenance activities, it is imperative that a municipality be as selective as possible in recommending mains for replacement. By developing a set of replacement criteria (based on a number of age and non-age related factors) and an economic model to effect this selection process, the Department hopes to employ an improved distribution planning process to keep its capital expenditures well below its original $325 million estimate.

In 1980 the total amount of water entering the distribution system was approximately 38 percent (117.7 MGD) more than the amount measured at the customers' meters. Distribution system losses from leaks, joint losses and other sources amounted to about 55 percent (65.6 MGD) of this figure. While improvements to the distribution system would reduce these losses, present federal policies require increased emphasis on wastewater treatment, which makes diverting additional revenue into distribution replacement extremely difficult.

Indeed, national water policy has for many years been adversely affected by a fundamental problem: the separation of water supply and water quality management as if they were unrelated concerns, when in fact they are inseparable. In the Northeast, this translates into massive funding for wastewater treatment, virtually no dollars for water treatment and distribution, and restrictive rules which can actually prohibit municipalities from selecting the most cost-effective solutions for their water resource problems. While the cleaning of this nation's waterways must remain of the utmost concern and priority in national water policy, so too must a balance remain within a region, a balance which considers all of a region's water needs together and does not favor one to the detriment of another. An accurate assessment of this nation's water infrastructure requires a full understanding of all of its components and their interrelationships.

It is now evident that the federal government is also seeking to minimize its financial exposure required under the Clean Water Act. For cities such as Philadelphia which are in the latter half of their sewage plant reconstruction program, the diminution of federal funds without a concomitant broadening of environmental policies can result in both serious financial hardships to their customers and a lessening of their ability to achieve the environmental benefits we are all seeking. The solution would seem to lie in reemphasizing our commitment to water quality based standards. Our rivers, estuaries and lakes are complex environmental systems which can dynamically change throughout the seasons of the year. Both their sensitivity and ruggedness must be properly understood in order to manage our water resources effectively.

Philadelphia's water programs also suffer as a result of political and jurisdictional boundaries which determine the number of governmental and regulatory agencies with which we have to deal. Besides the requirements of the City of Philadelphia and the Commonwealth of Pennsylvania, our major programs are subject to the review of the Delaware Valley Regional Planning Commission, which serves the City and eight surrounding counties. Because the Delaware River Basin is divided between four states, any changes in our use of that source involve the states of New York, New Jersey and Delaware. The Delaware River is also the boundary between two different EPA regions, each with its own priorities and budgets. The Delaware River Basin Commission is the only basin-wide agency with whom we deal, and because they are represented by the four states and the Federal government, the amount of local input is limited. Due to this proliferation of agencies, the amount of paperwork that is required to conduct ordinary business has grown tremendously. In addition, the time required for reviews of new programs and facilities has lengthened to the point where it frequently exceeds the implementation of construction phases. Opposition or even administrative delays by any one of the above agencies may effectively kill some needed projects.

Taken in another light, the existence of numerous jurisdictional boundaries also tends to restrict unnecessarily the number of viable solutions to infrastructure problems. For example, due to a declining population base within the City of Philadelphia, the capacity of its three water treatment plants far exceeds the City's daily requirements for water. With its many fixed costs, the water system must now increase user fees to supplement this declining consumer base. At the same time, adjacent communities are faced with serious water resource problems, due to ground waters which are polluted and/or which are of insufficient supply. One alternative for these communities is to build new, expensive facilities. Another is to promote regionalization of the area's water resources. Both alternatives need to be investigated in order to determine which will provide for the greatest overall benefit. While a national water policy must, at one extreme, respond to problems at the most local level, it must also be capable of addressing concerns on a regional basis. A regional overview may unfold a misjudgement in local priorities and/or facility duplication.

I am not necessarily proposing massive new Federal grants as a solution to these problems. Instead, I am promoting the concept of a more unified approach to management of the nation's water resources, primarily by restructuring the Federal assistance programs which conern water. Traditionally, water supply and wastewater treatment have been handled separately. This has often led water resource managers at all levels of government away from cost-effective alternatives to meet the twin objectives of providing safe and reliable drinking water supplies and maintaining the quality of streams, lakes and groundwater. Sometimes the results are outright conflicts. For example, while the chlorination of wastewater reduces the level of bacterial contamination in the receiving stream, it also produces carcinogenic organic compounds. These compounds can then directly influence raw water quality at water supply intakes. As another example, water mains have been laid above sewers in the same trenches, so that leakage is doubly costly; not only is treated drinking water lost, but it infiltrates the collector system and thus receives a second treatment, as wastewater, without ever having been used. As a third example, Philadelphia is currently spending millions of Federal and local dollars to upgrade wastewater treatment, yet we recently experienced a drought in which wastewater treatment became a secondary issue and, ironically, the improved level of wastewater treatment will be insufficient to prevent the need for more costly drinking water treatment. My point is that the most cost-effective solution to any region's water infrastructure problems is probably some combination of proper planning based on the capacity of the water resources, construction of storage facilities, rehabilitation of aging distribution systems, upgrading of water treatment, and providing an appropriate level of wastewater treatment. There have been, and are still, Federal programs which have directed massive funding to certain of these undertakings, most notably through Corps of Engineers' projects and EPA wastewater treatment facilities construction grants. However, other programs have been given little or no emphasis. Now Federal spending is being sharply reduced and, at the same time, some of the results of past spending, such as for advanced wastewater treatment systems, are being questioned. I believe the funds that remain would yield the maximum public benefit if they were used to promote and support coordinated, regional water management, in which water supply and water quality would be considered concurrently in developing cost-effective programs.

In conclusion, I would like to give my support to Senate Bill 23, the "Rebuilding of America Act of 1983". As I have highlighted above, there is a great need in this nation today for the development of a comprehensive National Public Improvements Plan. I am confident that an inventory of this nation's infrastructure and a prioritization of its needed improvements will bring out the great urgency with which the problems of the water supply and treatment field need to be addressed. However, in order to obtain an accurate and realistic assessment, the help and input of all levels of government should be sought. Since priorities will differ between, and even within regions, this process will have to be carefully monitored. I therefore suggest the adoption of a standardized, national methodology for the inventory and prioritization processes. Further, a means must be made available to coordinate the prioritization process between various governmental jurisdictions where current policies do not presently encourage such interaction.

I would also like to give my general support to the concept of an infrastructure bank or funding system, as proposed in Senate Bills 532 and 724, respectively. A coordinated, comprehensive system for funding infrastructure projects is sorely needed in order to avoid the inconsistent and often unreliable funding patterns which are all too typical in water infrastructure projects today. It is important to note, however, that the inclusion of Clean Water Act funds in a State Infrastructure Bank or fund can result in a loss of promised Federal grants for the upgrading of wastewater treatment plants. This, in turn, can result in an unraveling of local funding to the point where ongoing projects will have to be cancelled or indefinitely postponed. Thus the benefits of these bills may not outweigh the costs if they jeopardize anticipated wastewater treatment construction grant funds. If construction grant moneys are included in the infrastructure banks, the goals of the Clean Water Act need to be considered in light of the other infrastructure needs of the nation. Infrastructure funding must be guided by a comprehensive set of priorities, and some previously legislated requirements, such as those of the Clean Water Act, may need to be modified.

Thank you for the opportunity to present these views. If I can be of any further service to the Committee, please call on me.

ARTBA
American Road & Transportation Builders Association

April 18, 1983

STATEMENT OF
AMERICAN ROAD & TRANSPORTATION BUILDERS ASSOCIATION
DANIEL J. HANSON, SR., PRESIDENT
TO THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

IN RE: PROPOSED INFRASTRUCTURE BILLS,
S. 23, S. 532, S. 724 and S. 871

We are pleased to submit herewith the views of the American Road & Transportation Builders Association on legislation currently being considered by the Committee on Environment and Public Works to repair and revitalize the nation's infrastructure.

ARTBA is an association primarily concerned with the development of sound transportation facilities, and has been concerned for many years with the deterioration of the transportation system. This is a very serious concern which we share with this Committee. We have testified on numerous occasions on highway, highway safety and public transportation legislative matters. The Surface Transportation Assistance Act of 1982 is an outstanding example of the Committee's ability and willingness to address transportation infrastructure needs in a far-sighted and effective manner.

The 97th Congress substantially increased capital funding for both highways and public transit. It also dealt effectively with the funding requirements of the airports and airways system. We have by no means solved all of the funding problems in these areas, but we have made a fine beginning.

The subject matter now before the Committee envisions a more general approach. The term "infrastructure" embraces a large variety of public facilities, including all modes of transportation, water supply systems, waste disposal systems, energy supply facilities, and a wide range of public buildings.

We fully recognize the advantages of the general approach. We should, at a minimum, undertake a thorough and systematic inventory of our total infrastructure needs. With a clear understanding of the nature and magnitude of these needs, we will be in a better position to meet these needs in proper order of priority.

On a much smaller scale, this Committee was instrumental in developing a logical and systematic program for the replacement and rehabilitation of structurally deficient and functionally obsolete bridges. One of the initial features of the bridge program was a requirement that the state and local governments institute a regular program of inspecting and rating bridges. As a result, we now have a virtually complete inventory of U. S. highway bridges and an active program to meet the highest priorities. This sort of sensible approach should be made applicable to many other infrastructure categories.

## ATAC I and ATAC II

In 1977, ARTBA joined with over 40 other transportation-oriented associations in the American Transportation Advisory Council (ATAC) to survey the capital needs of all forms of domestic transportation. Through this cooperative effort, we were able to produce a reliable estimate of transportation's capital needs for a ten-year period.

Following the success of that publication, ATAC followed with a 1981 update. Our 1981 estimates now appear to be very conservative:

### TEN-YEAR PROJECTED TRANSPORTATION CAPITAL NEEDS, 1981-1990

(In billions)

| | 1980 dollars | Current dollars |
|---|---|---|
| Airports | $ 22 | $ 32 |
| Highways | 262 | 404 |
| Pipelines | 8 | 13 |
| Public Transit | 50 | 80 |
| Railroads | 55 | 88 |
| Waterways | 4 | 6 |
| | $401 billion | $623 billion |

Some of the bills now pending before Congress call for an inventory of infrastructure needs, together with an assessment of the potential sources of revenue for meeting those needs. Such a study is extremely important. It is essential to know the full extent of the problem. It is also necessary to understand how the costs should be assigned to Federal, state and local governments. The big question is what role can and should be assigned to the private sector.

## User Charges

We strongly support the policy of financing public works, wherever practicable, through special charges on the users or beneficiaries of the public facilities.

The user-charge policy has been applied extensively and successfully to the highway and aviation programs. With respect to the Federal and state highway programs, special charges on highway users provide a very high percentage of the total funds expended. At the local level, the funding of street improvements through property assessments and related funding mechanisms reflect the philosophy that the principal beneficiaries of the improvements should pay the costs.

Airports and airways improvements are funded through a combination of sources, again reflecting the principle that users and beneficiaries should pay the costs. We are moving in a similar direction with respect to the capital improvements and maintenance costs of the inland waterways.

The possibility of funding other portions of the overall program to rehabilitate and revitalize the infrastructure through user charges should be given serious consideration.

## The Capital Budget

Several pending bills would provide for a better delineation between Federal capital expenditures and operating expenditures. This distinction is blurred in the current budget process, which treats capital investment expenditures and operating costs essentially the same.

This weakness in the budgetary process is probably one of the major reasons that we have permitted the national infrastructure to deteriorate as it has. When budget cuts are needed, the axe is likely to fall most heavily on the capital accounts, because a short delay in the long-range capital program is perceived to be of relatively small significance. In fact, the habit of deferring needed capital expenditures is extremely costly. The economic benefits of the needed improvements are deferred. In addition, we suffer unnecessarily high maintenance cost by trying to "patch up" and make do with worn-out facilties.

There is no good reason why government should not manage capital assets in such a way as to properly account for depreciation and make adequate provision to replace facilities as they wear out. ARTBA strongly supports the capital budget concept.

## The "Jobs" Approach

The "Public Investments/Jobs Act" (S. 724), co-sponsored by the distinguished chairman and ranking Democratic member of the committee, seeks to reach two worthy objectives. It would provide substantial Federal funding for infrastructure repair and at the same time offer significant employment opportunities.

The proposed program, we believe, would be very useful in providing jobs.

It has been demonstrated many times over that public works activities can provide employment and training opportunities for many who would be otherwise out of work. Such an approach, however, does not necessarily meet the most pressing capital needs. Major construction projects require skilled workers and the management capabilities offered by private construction firms.

By targeting funding to the areas of highest unemployment, jobs programs are likely to be ineffective in meeting the overall capital needs in developing areas. Such areas usually have relatively high employment and, because of their growth situation, high capital needs.

We commend the committee for its attention to the infrastructure problem and look forward to further opportunities to present more specific comments as this legislative program moves forward.

American Water Works Association

May 20, 1983

Mr. Hal Brayman
Assistant Staff Director
Senate Environment
and Public Works Committee
SD-625
Washington, DC 20510

Dear Hal:

The American Water Works Association is pleased to submit the attached statement on infrastructure needs for consideration by the Senate Environment and Public Works Committee. The statement is based on a survey conducted by the Association's Water Utility Council. A copy of the survey is also enclosed. AWWA hopes the Committee finds the statement useful.

When the Committee schedules additional hearings on the infrastructure question, AWWA would appreciate the opportunity to testify.

If you have questions about the statement or the survey, please call.

Sincerely,

Fern Summer
Legislative Specialist

FS/gw
Enclosures

GOVERNMENT AFFAIRS OFFICE: 1010 Vermont Ave., Suite 810, Washington, D.C. 20005 (202) 628-8303

# STATEMENT OF THE AMERICAN WATER WORKS ASSOCIATION
# SUBMITTED TO THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
# US SENATE
# ON WATER SUPPLY INFRASTRUCTURE FUNDING
MAY 20, 1983

AWWA is a 100-year old non-profit scientific and educational society and the largest organization of professional water supply people in the world. Its over 32,000 members include managers, engineers, operators and other employees of community water systems as well as scientists, academicians, state regulators and others. Our membership includes more than 3000 water utilities that provide approximately 70% of this nation's potable water and hold as a common concern the provision of the best possible water to consumers at a reasonable cost. Since it was founded in 1881, the Association has been dedicated to promoting public health, safety and welfare through improvement of the quantity and quality of water delivered to the public.

The American Water Works Association and its Water Utility Council appreciate the opportunity to submit this statement on a subject of increasing national concern. Some of the nation's major water supply systems are said to be in a serious state of disrepair resulting in an impending national crisis. What is needed is a realistic look at the current conditions, both physical and financial, that exist in the drinking water industry.

Water service throughout the nation is provided under a wide range of hydrologic and urban conditions and it is extremely difficult to generalize. Some water systems, such as those in the Southwest, are new and in an excellent state of repair. Others, principally in the Northeast, are older. Due to materials and age, these facilities require continual maintenance and replacement. Nevertheless, these systems generally have the following common aspects:

- Almost all major systems are financed by water utility charges and those charges, with few exceptions, are small by comparison to gas and electric utilities.

- All of the systems deliver water that generally meets state and federal health requirements.

- The rate of facility replacement varies widely depending upon each community's priorities. It is generally true that water utilities that are independently managed and not required to share revenues with other municipal functions have a higher state of repair.

To find out more about the real conditions of the drinking water industry, the American Water Works Association undertook a recent survey of 33 of the major utilities (see attached list). While the analysis of this data is incomplete, the following conclusions can be drawn:

- Of the 33 utilities, 14 believe that their current state of repair is adequate and that deferred maintenance does not exist.

- Of those with deferred maintenance, the utilities, with one exception, could eliminate the backlog through construction programs over a ten-year period financed by revenue bonds. The bonds would be paid from water rates, with the financing programs resulting in water rate increases ranging from 6% to 36%.

- Almost 60% of the utilities with deferred maintenance have residential water bills which are below the average of the utilities responding to the survey.

- One large utility in the Northeast, with the highest deferred maintenance of the responses received, has the lowest monthly residential water bill ($3.40). This is approximately one-third of the average monthly residential water bill of all respondents. By increasing the residential charge to approximately the average of those surveyed, this deferred maintenance could be funded from water revenues.

- The current average monthly residential water bill in those communities with deferred maintenance ranges from $3.40 to $13.75.

The survey contains many interesting statistics and will be published by the Association after it has been analyzed and reviewed by appropriate AWWA committees. The preliminary results, however, clearly support the Association's contention that the appropriate local and federal roles with regard to water system rehabilitation and deferred maintenance (water system improvement and expansion is a separate issue) are as follows:

- Water service charges by public and investor-owned utilities can, in all but a very few instances, be increased within the users' ability to pay to eliminate deferred maintenance.

- It is in the national interest to assure that unique local conditions resulting in high borrowing rates do not result in excessive costs to bring systems into an adequate state of repair. This can be achieved through some form of federal long-term loans.

- Loans should be provided through the states, either by federal seed money to provide revolving funds for direct loans or, preferably, by establishment of an insurance program to guarantee repayment of local debt.

- Special consideration should be given to the small utility hardship case where rehabilitation or improvement is necessary to meet Safe Drinking Water Act standards. Some states have established grant programs but the Association believes that there is a national need among small utilities with special water quality problems and very limited financial resources. In some instances, regionalization should be encouraged. Rural communities require special attention and, in this regard, the existing loan program administered by the Farmer's Home Administration of the Department of Agriculture should receive greater funding and perhaps be broadened to include larger populations.

The experience of the '70s with the Clean Water Grant Program, the revenue-supported nature of all urban water systems, and the current relatively low rates that exist for water service all indicate that a new national grant program is neither needed nor desirable. The Association believes that most utilities presently have adequate ability to upgrade their systems, including the construction of water supply improvements and expansions. However, if the Congress believes that assistance is appropriate, state-administered loan programs, or preferably, an insurance program to guarantee low interest rates to both investor-owned and public utilities, would be in order.

Investor-owned utilities have a special problem. Regulated by public utilities commissions and borrowing at sometimes high interest rates that are not subsidized by federal tax exemption, they must be given some consideration in a national program. The Congress has allowed the states and local governments to sell tax exempt bonds for construction of pollution control facilities by private industry. If there is a national water utility infrastructure financing need, the loan or debt repayment insurance program should be extended to investor-owned utilities meeting special need criteria.

In summary, the Association believes that a program of loans made by the states to local utilities, or preferably, borrowing engaged in by local utilities with repayment guaranteed by states and with seed money provided by the federal government, would be appropriate. These would be effective ways of aiding local utilities to keep down the costs of water service--while at the same time restoring those utilities with deferred maintenance to an adequate state of repair. The Association will be glad to meet with you and your staffs to review specific language.

## AWWA Infrastructure Survey
## of the Fifty Largest Water Utilities
## Completed First Quarter 1983

### SUMMARY

The United States water supply infrastructure needs (deferred maintenance) approximate 30 billion dollars ($120 for each person) based on extrapolation of data from 33 large water utilities responding to an AWWA survey. This amount appears manageable for most utilities through increased water revenues. Increasing the nation's water revenues by approximately 27% would provide the necessary funds. This increase would result in an average household annual water bill of $145. Increasing water rates would accomplish dual objectives - provide the utility the capacity to meet current and future needs, and promote efficient use of the nation's water and capital resources.

Responses

- 33 utilities (two-thirds of those surveyed).
- Population served - 32.6 million people.
- Combined service area - 12,200 square miles
- Water facilities investment - $8 billion.
- Replacement value - $29 billion.
- 1983 repair and maintenance expenditures - $300 million (1% of the replacement value of the facilities).
- Average repair and maintenance expenditures - $9.4 million per agency.

Results

- Of the 33 responding agencies, only 19 agencies (57%) reported deferred maintenance.
- Total deferred maintenance reported is $3.9 billion.
- Reported deferred maintenance ranged from $7 to $900 million.
- Fourteen of the 19 agencies have plans to restore the facilities over periods ranging from 5 to 35 years. Of those agencies without a plan, only one agency reported inadequate funds as reason for not restoring facilities.

Of 19 agencies responding, 8 agencies do not indicate a current need for a water rate increase to finance system restoration. Of the remaining agencies, estimated rate increases needed range from .6% to 36%.

American Water Works Association
Infrastructure Survey
List of Respondents

| Respondents | Location |
|---|---|
| Baltimore County Metro District | Towson, Maryland |
| Birmingham Water Works Board | Birmingham, Alabama |
| Boston Water & Sewage Commission | Boston, Massachusetts |
| California Water Services Company | San Jose, California |
| Cleveland Division of Water | Cleveland, Ohio |
| Columbus Division of Water | Columbus, Ohio |
| Dallas Water Utilities | Dallas, Texas |
| Dekalb County Water and Sewer Department | Stone Mountain, Georgia |
| Denver Board of Water Commissioners | Denver, Colorado |
| Detroit Water and Sewage Department | Detroit, Michigan |
| East Bay Municipal Utility District | Oakland, California |
| Elizabethtown Water Company | Elizabeth, New Jersey |
| Fairfax County Water Authority | Merrifield, Virginia |
| Fort Worth Water Department | Fort Worth, Texas |
| Honolulu Board of Water Supply | Honolulu, Hawaii |
| Indianapolis Water Company | Indianapolis, Indiana |
| Kansas City Water Department | Kansas City, Missouri |
| Los Angeles Water and Power | Los Angeles, California |
| Louisville Water Company | Louisville, Kentucky |
| Memphis Light, Gas and Water | Memphis, Tennessee |
| Metropolitan Utility District of Omaha | Omaha, Nebraska |
| Miami - Dade Water and Sewer Authority | Miami, Florida |
| Milwaukee Water Works | Milwaukee, Wisconsin |
| New Orleans Sewerage and Water Board | New Orleans, Louisiana |
| Phoenix Water and Wastewater Department | Phoenix, Arizona |
| St. Louis County Water Company | St. Louis, Missouri |
| San Antonio Water Works Board | San Antonio, Texas |
| San Diego Water Utility | San Diego, California |
| San Jose Water Works | San Jose, California |
| Seattle Water Department | Seattle, Washington |
| Tulsa Water Department | Tulsa, Oklahoma |
| Washington Suburban Sanitary Commission | Hyattsville, Maryland |
| Western Pennsylvania Water Company | Pittsburgh, Pennsylvania |

## American Water Works Association
## Infrastructure Survey
## Summary of Responses

**GENERAL**

1. Type of Utility Responding (33 out of 50)

| Type | Number | % Responding |
|---|---|---|
| Municipal | 22 | 67 |
| Private | 6 | 18 |
| Special District | 5 | 15 |
| Total Responses | 33 | 100 |

2. Size of Utility

A. Water Revenues (28 Responses)

|  | 10-Yr Annual Avg. (Millions of Dollars) | 1983 |
|---|---|---|
| Total of all respondents | $1,028.6 | $1,584.9 |
| Range - Maximum | 102.0 | 153.0 |
| Minimum | 12.5 | 10.7 |
| Average | 32.2 | 48.0 |
| Median | 28.3 | 40.9 |

B. Customers Served (33 responses)

| Category | Total | Average (Thousands of Customers) | Range |
|---|---|---|---|
| Residential | 6,347 | 192 | 75 - 357 |
| Commercial | 586 | 18 | 3 - 37 |
| Industrial | 28 | 1 | 0 - 6 |
| Other | 94 | 3 | 0 - 58 |
| Totals | 7,055 | 214 | 87 - 630 |
| Median |  | 193 |  |

- Extrapolating the reported deferred maintenance to the nation as a whole on the basis of population results in water utility facilities deferred maintenance of $27 billion.

$$\$3.9 \text{ billion} \times \frac{226.5 \text{ million people}}{32.6 \text{ million people}} = \$27.0 \text{ billion}$$

equivalent to $120 per person in the United States.

**Other Data**

- Annual residential cost of service ranges from $40.68 to $175.00.
- Residential average annual water consumption is 112,000 gallons.
- Average annual residential water cost is $113.
- The agency with the highest deferred maintenance ($900 million) has the lowest annual residential charge for water ($40.68).
- Eleven of the nineteen agencies with deferred maintenance have annual residential water bills below the average of $113.

C. Population Served (33 responses)
(thousands of people)

| | |
|---|---|
| Total | 32,637 |
| Average | 1,020 |
| Median | 744 |
| Range | 431 to 3,740 |

D. Area Served (28 responses) square miles

| | |
|---|---|
| Total | 12,219 |
| Median | 350 |
| Average | 436 |
| Range | 45 - 2199 |

## FACILITIES & MAINTENANCE

3. Value of Facilities (31 utilities reporting)

| | Original Cost | Replacement Cost* |
|---|---|---|
| | (Millions of Dollars) | |
| All facilities to obtain, treat and distribute water | $7,924 | $28,925 |
| Distribution Facilities included in total above | 1,845 | 5,332 |

*Replacement value of all water facilities is 365% of original cost.

4. Repair and Maintenance Expenditures

| | 1973-1982 Annual Average | 1983 |
|---|---|---|
| Number of Responses | 29 | 32 |
| | (Millions of Dollars) | |
| Total | $172 | $302 |
| Average | 5.9 | 9.4 |
| Median | 2.6 | 6.3 |
| Range | 1-47 | 1-72 |

5. Estimated annual cost (1983 dollars) of deferred maintenance required to restore facilities. Assumes the restoration takes place uniformly over the next 10 years.

| 19 Utilities Reporting* | Millions of Dollars |
|---|---|
| Total | $393.3 |
| Average | 20.7 |
| Median | 8.0 |
| Range | .7 to 90.0 |

*14 utilities reported no deferred maintenance.

6. Current plan to accomplish the complete restoration of facilities:

| | |
|---|---|
| Agencies with plan | 13* |
| Agencies without plans | 6** |
| Total Reporting | 19 |

* For the 13 utilities reporting a plan, the time period to complete restoration ranged from 5 to 35 years with an average of 13 years.

** For those utilities without a reported plan, only one utility reported inadequate funds as the reason no plan was available.

7. Annual residential water charge (per household)

| | Annual Consumption (thousands of gallons) | Cost $ |
|---|---|---|
| Average | 112 | 113 |
| Median | 100 | 100 |
| Range | 90 - 225 | 41 - 175 |

8. Date and percent of last water rate adjustment:

Dates - 4/77 through 3/83

Rates - Range from 1% decrease to 62% increase

Average change - 17% increase

9. Impact on residential annual cost of service if repairs and replacements in item 5 above were completed over a 10-year period financed by 25-year 10% revenue bonds.

   11 utilities reporting

| | |
|---|---|
| Range | .6 - 36% |
| Median | 15% |
| Average | 13% |

10. Supplemental question for public agency utilities (non-stockholder)

   A. Annual funds paid or transferred to governmental unit/subdivision (in lieu of taxes, direct administrative charges)

| | (millions of dollars) |
|---|---|
| 18 utilities paid | $49.5 |
| Average | 2.75 |

   B. Portion of the above in payment of services $23.1

   C. Value of other services provided without charge for civic betterment (fire flow capacity, water to municipal account, etc.)

| | |
|---|---|
| 8 utilities provided | $12.8 |

# TESTIMONY ON

# S.724 "THE PUBLIC INVESTMENT/JOBS ACT OF 1983

TO THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

OF THE

UNITED STATES SENATE

BY

CARLTON B. SCHNELL

CHAIRMAN

COMMUNITY CAPITAL INVESTMENT STRATEGY

CLEVELAND, OHIO

APRIL 22, 1983

GREATER CLEVELAND GROWTH ASSOCIATION
GREATER CLEVELAND GROWTH ASSOCIATION
GREATER CLEVELAND GROWTH ASSOCIATION

My name is Carlton B. Schnell. I am a Partner in the law firm of Arter and Hadden in Cleveland, Ohio.

I'm particulary pleased to be able to offer testimony in general support of bills (S.23, S.532, S.724) directed at the rehabilitation of America's aging public capital plant and to comment on some of the particulars of these bills. Public awareness of the need to repair, renew, or replace our older roads, bridges, waterways and ports, transit, water, and sewer systems is increasing. These bills proposed by distinguished members of the Senate add to the general recognition of the problem and help to assure that somehow we will find ways and means to restore the vital systems of our capital plant, our so-called infrastructure. It has not been a very visible or popular topic before now.

Like such recent legislation as the Surface Transportation Assistance Act of 1982, legislation that directs a part of our national income at public capital investment is an essential step not only for the economic well being, but even for the very existence of large parts of our nation.

My further comments should be prefaced by a word about the background from which they are offered. Concerned about the future of their city, Cleveland, civic leaders, under the auspices of the Greater Cleveland Growth Association (our Chamber of Commerce), joined with public officials to organize a program, the Community Capital Investment Strategy. Its objective was simply stated: to develop a workable financing plan for rehabilitating or replacing the highways, bridges, transit, water, and sewer systems in the Cleveland area in the 1980's. Since the beginning of the program in late 1981, I have been privileged to chair the Policy Committee, the directing and decision-making body. It comprises the President of City Council; the Mayor and Cabinet members for finance and public utilities from the City of Cleveland; two of three Cuyahoga County Commissioners; The County Sanitary Engineer; the County Engineer and his Deputy, three members of the Mayors and Managers Association for 56 suburban cities and villages; the Executive Director of the Area Coordinating Agency; the Board Chairman and Directors of the Regional Sewer District and the Regional Transit Authority; and attorneys, and corporate and banking executives. Additional *pro bono* legal and financial help is volunteered. The program is funded by the Cleveland Foundation, the George Gund Foundation, and the five key public entities involved. First we surveyed the total investment needs and projected funding. Faced with a huge financing gap, we next reassessed these needs with a common set of guidelines, or criteria: health and safety, importance to system, etc. The result of paring down and postponing was a program of about $1.6 billion of needs over the next half-dozen years, with inflation; local, state and federal funds for about half of it are foreseeable, leaving an estimated shortfall of $650 to $850 million. Many alternatives for financing this shortfall were reviewed. Financing methods adopted were aimed at the user as much as possible and were considered to be doable. Now we have adopted a strategy to be pursued and we are just now moving from planning to action with our cooperative process in place and functioning. So, as a community that has its act together for renewing its infrastructure and that needs funds for it, we welcome national attention to the problem.

My further comments are directed at Title I of S.724, but may also be of some general service.

We quite agree that a sustained program of capital investment is necessary to rebuild the long neglected public facilities.

Until now, large federal investment have been made in new higbways and bridges, new waterways, new water and irrigation systems, new wastewater treatment plants. Similar aid has not been given to existing, but aging and deteriorating facilities. As a result, newer cities and areas have prospered at the expense of older cities and areas. We are pleased that recent and proposed legislation tend to slow or reverse that trend.

One concern is that the costs of major rehabilitation loom so large in contrast with the costs of ongoing operations, repair, and maintenance, that it is all but impossible to finance major rehabilitation with local funds; indeed, it is, in some instances, virtually impossible to find even the modest local match to obtain the generous federal outlay. In the same sense, it can be expected that local entities would find it difficult or impossible to repay a Fund for the large amounts that rehabilitation requires. The federal government has the lion's share of citizen's taxes, and only a large re-structuring of taxation would let local governments maintain the kind of Fund the federal government can create. Re-direction of national income into rehabilitation for the public good is needed; general taxes from the public will repay it.

The formula for making appropriated funds available to the States, under Title I, Sec. 104.(a), should be revised so that it more closely meets the needs addressed in Sec. 101, yet remains fair to all States. The need is clearly related to older infrastructures and to the urban setting. Hence, the formula might be 50 per centum on population, 25 per centum on mileage of paved urban or municipal highways built before 1943 and 25 per centum on mileage of paved rural highways built before 1943. Or it could properly be one-third to each of the three above categories. Of course, other formulas that direct the federal grants at the real national need are possible.

Regarding the need for a needs inventory, I believe that in the long term, both the Federal and State Governments should have a capital inventory and a vehicle for capital planning. I certainly endorse a needs inventory for the local level. I believe that trying to use a needs inventory at the Federal level, or even the State level for planning and allocations will prove to be so cumbersome, so time consuming, and so fraught with argument about definitions and priorities that it will not be useful for planning or allocating in the short term. A needs inventory and planning are difficult, but possible, at the local level. Meanwhile, reasonably simple formulas should be used for allocating State and Federal funds.

The pass-through provision for cities of Sec. 103.(a)(1)(H) is doubtless important in a number of cases.

Regarding Sec. 108, while loans for construction of wastewater treatment works may be useful for some situations, the Federal government should finish paying for what it mandated and started. For example, in the Greater Cleveland area, tertiary treatment plants have been built and are now partly connected to the total set of sanitary sewer systems. Money to finish the planned interceptor links exceeds local capability. Meanwhile, sewer charges for the rather expensive operation of these very fine plants are high, because the plants are running far under design capacity. I suspect our community is not unique in this situation.

Thank you for the opportunity to add testimony to that of others on bills intended to foster public works investment, especially much needed rehabilitation.

* * * *

great lakes economic policies council

TESTIMONY OF JACK A. LICATE
EXECUTIVE DIRECTOR
GREAT LAKES ECONOMIC POLICIES COUNCIL
REGARDING S 724 - THE PUBLIC INVESTMENT/
JOBS ACT OF 1983

SUBMITTED TO THE

COMMITTEE ON ENVIRONMENT & PUBLIC WORKS

UNITED STATES SENATE

APRIL 22, 1983

690 Union Commerce Building · Cleveland, Ohio 44115 · (216) 621-3300

Mr. Chairman, I am Dr. Jack A. Licate, Executive Director of the Great Lakes Economic Policies Council (address: 690 Union Commerce Building, Cleveland, OH 44115, 216/621-3300). I am pleased to present my organization's position in general support of the Public Investment/Jobs Act of 1983. As background for my remarks, I would like to provide you with some information on the Great Lakes Economic Policies Council and the reasons why this private sector organization takes the position it does on this legislation.

## The Great Lakes Economic Policies Council

The Council is a private sector regional advocacy organization dedicated to increasing the economic competitiveness of firms located in the eight state Great Lakes region - Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin. The specific goals of the Council are to:

* To facilitate positive interaction between private and public sector leaders in support of a regional agenda for economic progress;
* Mount a unified campaign at the state and federal levels directed at improving the regional economy;
* Launch a marketing campaign stressing the positive aspects of the Great Lakes business climate.

The Council's Board of Directors consists of the chief executive officers of the Buffalo Area Chamber of Commerce, Chicago Association of Commerce & Industry, Greater Cleveland Growth Association, Greater Detroit Chamber of Commerce, and Metropolitan Milwaukee Association of Commerce. Additional liaison and participation in selected Council activities comes from the chambers of commerce of Cincinnati, Columbus, Dayton, Duluth, Indianapolis, Pittsburgh, Rochester, and South Bend.

On November 23, 1982 the Council's Board of Directors resolved that in 1983, on the federal level, the Council would emphasize infrastructure revitalization as its top legislative priority. The Council believes that the key to the economic revitalization of the Great Lakes region lies in the rehabilitation of the region's road, bridge, mass transit, sewage treatment, and municipal water systems.

## The Great Lakes Region

The 75 million inhabitants of the Great Lakes states face an enormous economic challenge. At the Great Lakes Economic Policies Council we do not feel our region is "in ruins," as some would have you believe. On the other hand, we do recognize that our regional economy is undergoing a fundamental - and I admit, painful -- transformation. It is our concern that everything possible be done at the local, state, regional, and national levels to make sure that the outcome of this economic transformation is fortuitous for the poeple of the Great Lakes region. That is why we support legislation directed at infrastructure rehabilitation. Simply stated over view is that expenditures directed at the rehabilitation of our infrastructure is an investment in the long-term economic development of our region. Thus, we applaud the intent of S 724 as one step in the right direction toward addressing the economic problems affecting our region.

I will confine my remarks to Title I of S 724, because it is this section which most directly affects the private sector in the Great Lakes states.

## Section 103

I would like to emphasize the need that exists in the Great Lakes states for programs to rehabilitate the infrastructure of our region. Much of our existing public capital plant was built in the period before World War II and it was the foundation on which the heavy industry of America grew and prospered. The investment in time,energy, and money to construct the road, bridge, transit, sewer and water systems was enormous for the period,and it took more than a century to build. It served well the blossoming of America's industrial economy. That now the infrastructure of our region is in need of up-grading not only for present need but also for the requirements of the future cannot be over-emphasized.

However, until now, large federal investment have been made almost exclusively for new highways and bridges, new waterways, new water and irrigation systems, and new wastewater treatment plants. Similar aid has not been given to existing, but aging and deteriorating facilities. As a result, newer cities and areas have prospered at the expense of older cities regions. We are pleased that recent and proposed legislation tend to slow or reverse this trend.

Our concern is that the costs of major rehabilitation loom so large in contrast with the costs of ongoing operations, repair, and maintenance, that it is all but impossible to finance major rehabilitation with local funds; indeed, it is, in some instances, virtually impossible to find even the modest local match to obtain the generous federal outlay. In the same sense, it can be expected that local entities would find it difficult or impossible to repay a fund for the large amounts that rehabilitation requires.

Further, I would also like to stress that the Great Lakes states had at the beginning of 1983, according to Bureau of Labor Statistics data, more than 4.3 million people out of work. This represented well over a third of the total unemployed people in the nation. In fact, in November 1982, 21 of the top 25 metropolitan areas with the highest rate of unemployment were located in the Great Lakes states. This elevated rate of unemployment, much of it long-term, has caused shortfalls in revenues paid in the form of taxes to that state's and local governments of our region. For example, this year every state in the region has had to confront the difficult questions of budget deficits and raising taxes in order to support already existing programs. In this climate it would be difficult or impossible in our region to impose the necessary user fees this legislation calls for in order to match federal funds.

Section 104 (a)

The funding formula suggested here (based on population and paved road mileage) appears not to adequately address the infrastructure needs of the Great Lakes states. Indeed, basing the funding formula on paved highway mileage surely cannot be the most effective means of funding expenditures fo sewage treatment, or urban water needs. Perhaps more appropriate for fulfilling the intent of this bill would be a funding formula based more squarely on need. I suggest the following:

- One-third on a state's percentage of the national population.
- One-third on a state's percentage of the number of the nation's long-term unemployed.
- One-third on the age of the existing infrastructure.

INTERSTATE CONFERENCE
ICWP
ON WATER PROBLEMS

# STATEMENT OF THE INTERSTATE CONFERENCE ON WATER PROBLEMS BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS CONCERNING INFRASTRUCTURE BUDGETING AND CAPITAL NEEDS

Henry Silbermann, Assistant Secretary of the Maryland Department of Natural Resources, Annapolis, Maryland and Chairman of the Interstate Conference on Water Problems presents the following testimony.

The Interstate Conference on Water Problems is a national association of State, intrastate and interstate officials concerned with water resources administration. The purpose of ICWP is to facilitate cooperation, consultation, and exchange of information among water officials on the conservation, use, development, and administration of water and related land resources, the law governing these matters, and Federal-State relationships. ICWP maintains an office at 21 DuPont Circle, N.W., Suite 600, Washington, D.C. 20036, headed by Joan M. Kovalic, Executive Director and General Counsel.

The Committee on Environment and Public Works is considering three bills. The "Rebuilding of America Act", S.23, develops an inventory, ten-year investment plan, and capital budget for the Nation's water and sewer systems, bridges, highways and roads. The objective is to coordinate Federal capital investments with those of states and local governments.

The "Public Investment Incentive Act of 1983", S.532, promotes the creation of state infrastructure banks capitalized with $10 billion of Federal funds. The capital projects to be financed are more broadly defined than in S.23. The objective is to maintain a perpetual revolving fund to

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finance capital investments.

Title I of the "Public Investment/Jobs Act of 1983", S.724, also creates state revolving funds to finance capital investments. It uses the broadest possible concept of public capital investment. Total potential capitalization is $50billion in Federal funds and $50 billion in state funds.

ICWP believes there will be a continuing need for direct, Federal capital assistance in water which will not be diminished very much by the creation of state capital revolving funds. Why?

First, there are large water investment needs which are inherently Federal. A prime example is the national system of deepwater ports and inland waterways.

Second, there are categories of water capital investment which do not produce revenue. They are difficult to finance, because loans must be paid for, ultimately, from general revenue. A prime example is flood damage reduction.

Third, there have been and there will be water projects which are simply too large to be financed by a state alone. For example, a large irrigation, water supply, and power project in a state with a sparse population and small economy.

This direct, Federal capital assistance need will be better understood and met if it is incorporated into a long term investment plan and capital budgets of the kind proposed in S.23. Because there are many Federal agencies and water programs which occasionally conflict or overlap, ICWP continues to urge establishment of a Federal coordinating mechanism to replace the Water Resources Council. This entity would be able to coordinate and compile the basic project information and priorities, in cooperation with the states, that is needed to prepare the water component of a national investment plan and capital budgets.

A state infrastructure bank, if sufficiently capitalized, will help the financing of revenue supported water projects such as municipal sewer and water service. ICWP believes the bank would be a preferable substitute for many existing Federal loan programs. States clearly have better information to evaluate the need and viability of these kinds of projects.

A state bank will likely be a more sympathetic lender than the open market in hard cases. For example, a small but rapidly growing community can have capital needs which greatly exceed what can be supported by its current revenue base. Another example is a system which has been allowed to deteriorate so much as to impair its revenue base. It desperately needs a capital loan to restore service and consumer confidence.

ICWP believes state infrastructure banks will not be very helpful for financing water projects which do not yield revenues. The basic decision in these cases is the pledge or allocation of general revenue funds. The project is, of course, competing with every other demand on general funds. If the funds are approved, borrowing the capital is generally not a problem. A state bank would be a potential lender.

Federal cost sharing has been the greatest aid to state and local funding of non-revenue producing projects. An offer of substantial Federal participation is usually the key to securing an allocation of general funds. This is especially true when state and local economies are depressed. In such times, Federally-assisted projects may be the only non-revenue producing investments which get funded.

In those cases where a water project is simply too big for a state to finance, ICWP believes financial assistance from a Federal lending entity is a better use of the nation's capital resources. In comparison, a state infrastructure bank would have to be over-capitalized. That is, once the extraordinary project is paid off, the bank would have far more capital than can be productively used.

These comments have shown a continuing need for Federal financial assistance for state water resources improvement and development projects. A Federal water bank which could lend capital for water supply, waste disposal, irrigation, dam safety, water-based recreation, and flood control could address this need. This entity should be authorized to make loans either directly to project sponsoring agencies or to state infrastructure banks for water projects.

ICWP appreciates the opportunity to discuss the capital problems and needs of water projects in the context of improving the Nation's public works infrastructure. ICWP's members, Board of Directors, and General Counsel stand ready to work with the Congress on this important matter.

# STATEMENT OF
# NATIONAL ASSOCIATION OF MANAGEMENT AND TECHNICAL ASSISTANCE CENTERS

SUBMITTED BY

RADFORD G. KING

TO

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

U. S. SENATE

REGARDING

S. 724

PUBLIC INVESTMENT / JOBS ACT OF 1983

APRIL 11, 1983

The National Association of Management and Technical Assistance Centers (NAMTAC) is pleased to make its views known to the Committee on Environment and Public Works regarding S. 724, the proposed Public Investment / Jobs Act of 1983. NAMTAC is an organization whose members provide management and technical assistance to communities and businesses throughout the country in order to promote jobs and economic development. Virtually all of its members are affiliated with academic institutions. I am a member of the staff of the University of Southern California, where I direct the Western Research Application Center. The vice-president and president-elect of NAMTAC, Dr. H. LeRoy Marlow, is the Director of the Pennsylvania Technical Assistance Program of the Pennsylvania State University. Most of our other members hold similar posts at other institutions. NAMTAC represents 45 University centers in 36 States.

NAMTAC supports the thrust of S. 724 and urges its enactment. We particularly support Title II for Economic Stabilization and Job Creation, which coincides with the purposes of NAMTAC members. While we would prefer to see this program remain in the Department of Commerce, we are sure that if it is the judgment of the Congress that responsibility should be lodged with the Secretary of the Army, the program can be operated effectively under the Chief of Engineers.

The interest of NAMTAC membership in Title II is particularly keen because most of our members' programs receive funds under the technical assistance program of the Public Works and Economic Development Act of 1965, as amended. While Title II of S. 724 would repeal the Public Works and Economic Development Act of 1965, we believe that the proposed Section 205 of S. 724 would permit continuance of the program.

However, the language is ambiguous, and we would prefer more specific language, particularly in view of the fact that the program may be administered by a new agency that is not fully aware of the long and successful history of these University Centers. Accordingly, we recommend that Section 205 of Title II of S. 724 be amended by inserting a new subsection 205 (b) as follows:

> "The Secretary is authorized to make grants to colleges, universities and other nonprofit educational and research organizations to establish and support ongoing programs which provide to businesses and units of local government management and technical assistance for the purposes of promoting productivity, economic development, and employment opportunity".

The existing Section 205 (b) would be renumbered to "205 (c)".

Similar language was added to H. R. 10 by the House Committee on Public Works and Transportation. The adoption of our proposed amendment by the Senate would assure, without ambiguity, the intention of Congress to continue this highly significant, useful and beneficial program, particularly at a time when industrial productivity in the United States has become a matter of national concern. If the Committee on Environment and Public Works decides that the specific new language suggested above is unnecessary, it is our hope that the Committee will see to it that its Report clearly and unequivocally states the Committee's intention to provide authorization for a continuation of the management and technical assistance program provided by NAMTAC members under funding from the Economic Development Administration. (EDA)

The programs carried out by NAMTAC members have a long and successful history. They have generally been known as the "University Center Programs". The first of these programs was funded by EDA's predecessor agency in 1962, and they have been funded continuously since then for the past 21 years.

The rationale for the original establishment of the University Center Programs was the same in 1962 as it is today---to bring the technical and managerial expertise that might be mobilized by academic institutions into play on behalf of local communities and businesses in order to create more jobs. The centers operated by NAMTAC members function in three different areas: (1) technology transfer; (2) management assistance; and (3) community economic development.

Our technology transfer programs bring technological expertise to bear upon problems of design and production facing the owners of small and medium-sized businesses. Our management assistance programs help businesses set up cost controls, deal with Government reports and forms, establish personnel requirements and a number of other similar activities necessary if businesses are to succeed and grow in today's competitive world economy. Our community economic development assistance helps community economic development organizations plan and carry out job creating and stabilizing programs.

If the Congress fails to take clear action expressing its intent to continue these important University Center programs, it may bring an untimely end to a program that has for a number of years provided a grass roots level of assistance to small and medium-sized businesses--assistance that has helped many to survive and stabilize their operations, to remain competitive and to grow, assistance that has saved jobs, created new job opportunities and generally enhanced the economies of scores of communities around the Nation.

To give some idea of the value of the program, I would like to quote from an evaluation of the University Center program that was completed in September 1981 by an independent consulting firm, Bentley Clark Associates, Inc. The Bentley Clark evaluation found that University Center business clients tended to be young, new and small. Twenty-nine percent were in manufacturing, 28 percent retail, and 23 percent services. Thirty-nine percent were sole proprietorships or partnerships and 41 percent were minority-owned businesses. The report states: "The University Center Program is also providing valuable services to communities in a time when other planning and technical assistance support is drying up. Center assistance to community development groups results in improved local service delivery, more efficient local operations, and improved use of outside sources of help."

The Bentley Clark evaluation reported that the EDA cost per job for jobs created and verified by clients was $1,769 per job and the cost for jobs saved and verified by clients was $459 per job. Clients rated the overall assistance good to excellent 83 percent of the time. "The clients felt that the Center staff understood their problems and possessed the requisite technical skills to give advice." Seventy-four percent of the clients carried out recommendations of the centers. Community organizations and development groups rated Center assistance as useful 92 percent of the time.

It is clear that the University Center program is a successful program that delivers the desired results at a cost that cannot be matched by any other economic development or job-creating program. It would be ironic, indeed, if legislation entitled "The Public Investments/Jobs Act" failed to continue such a cost-efficient and proven job-creating and stabilizing program as the University Center program.

Here are some examples of successful projects that typefy the University Center program. A business in northwestern Pennsylvania was provided with exactly the technology needed to remedy measuring problems it and its meter customers were having. The company reports that it will have at least $500,000 a year additional business for at least five years as a result of the changes it was able to make.

A minority-owned sausage maker in New Jersey was helped to develop and carry out a marketing and operational plan that increased employment from eight to twelve with additional business and additonal jobs expected shortly.

A steel producer in Michigan was helped with a feasibility study on establishing an electric steel mini-mill and additional preproduction planning. As a result, $80,000,000 was invested, and plans were recently announced for doubling capacity.

A minority-centered community economic development group in Illinois was helped to establish a cooperative grocery store which is receiving $2,000,000 in financing, most of it private.

These are just a few of the varied types of projects that University Centers take on and complete in a typical year. With time and space, we could cite hundreds more.

The plain facts of the matter are that the University Center program is proven cost-effective. It is a grass roots program that reaches out to help create and stabilize jobs in a way that no other institution does as effectively. The University Center program has always received strong support in the Congress. Its overall cost is about $3,000,000 annually. It deserves specific identification by this Committee as a program that should be continued in the Public Investment / Jobs Act of 1963.

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

NSPE

TESTIMONY SUBMITTED BY THE
NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS
ON THE INFRASTRUCTURE/JOBS LEGISLATION
TO THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
APRIL 18, 1983

The National Society of Professional Engineers is pleased to submit comments on the Public Investment/Jobs Act of 1983 (S.724), the Public Investment Incentive Act of 1983 (S.532), the Regional Economic Development Act of 1983 (S.871), and the Rebuilding of America Act of 1983 (S.23). Our society was founded in 1934 as an organization dedicated to advancing the social and professional environment of the engineering profession and to serve the public welfare by offering engineering viewpoints on matters of public policy in which engineering background and expertise are pertinent. The society is composed of 80,000 members engaged in virtually every aspect of engineering practice and has affiliated state societies with similar purpose in every state and more than 500 local chapters.

Our membership is organized into "practice divisions," reflecting the various fields of engineering and including Professional Engineers in Private Practice, Industry, Education, Construction, and Government. Our Private Practice division recently completed an analysis of the tradeoffs between grants and low interest loans for financing wastewater treatment facility construction in small communities, and we have included a discussion of their findings in the section of our testimony dealing with S.532.

Mr. Chairman, as the national association representing the professionals who design and in many cases oversee the construction and maintenance of our public works infrastructure, NSPE commends the Committee for its efforts to tackle one of the most difficult set of problems facing our nation today. The precise funding requirements for rebuilding America's infrastructure are as of yet unknown, but we do know that we are talking about huge amounts of money. This is a problem which deeply involves all three levels of government, particularly over 78,000 units of local government.

The proposals before the Committee are admirable attempts to address our public investment needs within current budgetary constraints. Clearly, there are no quick or easy solutions.

Before discussing the individual bills, we would like to present some general comments on the rebuilding of America's infrastructure.

Of all the issues on the public agenda today, none requires a greater degree of intergovernmental cooperation than the renewal of our public works investment. Federal, state and local governments have all played major roles in building our current infrastructure, but the dependency of the states and localities on federal assistance has grown over past decades. Federal grants for state and local capital projects grew from 10 percent of such spending by those levels in 1957 to approximately 40 percent of state and local capital investment in 1980.

Despite the expanded federal role, state and local capital investment declined by about 34 percent during that period, and in some of our older communities, disinvestment has occurred. Total capital investment from all levels of government fell from a high of 3.6 percent of Gross National Product (GNP) in 1965 to 1.7 percent in 1980.

As a result of these trends, we now must contend with bridges that are too weak to safely acommodate loaded school buses, water systems which leak as much water as they supply, and highways which are so deteriorated that they increase the likelihood of automobile accidents.

Unfortunately, this problem has come to a head when governmental budgets are least able to cope with our needs. The national government simply cannot institute adequate grant programs to provide the necessary funding, and state and local governments, by and large, are in no position to meet these demands from their own sources of revenue.

Therefore, we believe the general approach embodied in two of the bills under consideration today, S.724 and S.532 has merit. While differing in detail, each proposal sets up revolving funds on a cooperative basis with the states to help finance public works investment. There are several reasons why this general approach merits support.

First, these proposals would establish a long-term program for investment. Traditionally, grants have resulted in a one-time investment, and in many cases grant programs have not provided state and local officials with predictable sources of funds over long periods. The revolving fund or "infrastructure bank" approach provides for the repayment of federal and state investments, which can then be utilized again and again.

Second, this concept provides needed flexibility to state and local officials. Current categorical grant programs have profound influences on state and local investment decisions, and at times encourage allocation of funds (including local shares) for projects which otherwise would not be high priorities. For example, a recent General Accounting Office report suggested that federal grant programs have encouraged state and local officials to shift resources from maintenance of the current infrastructure to the construction of new projects.

Finally, these proposals elevate the states from the position of grant recipient to active partners in our national rebuilding efforts. They require decision-making on resource utilization by local governments.

## Public Incentive Act of 1983 (S.532)

For the reasons cited earlier, we support the creation of state infrastructure banks with joint federal/state capitalization.

However, we urge the Committee to thoroughly investigate the ability of various states to contribute to the state banks, and to make any needed revisions in S.532 to ensure that even the most hard-pressed states will be able to utilize this program. The industrial states of the northeast and midwest, for example, in many respects have the greatest infrastructure financing needs and the fewest resources to meet those needs.

We also endorse section 206 of this legislation, which amends the Clean Water Act to allow states to redirect their allotments of wastewater treatment grant funding into the state bank to provide financing for the construction of publicly owned treatment works. Given the huge backlog of pending projects, states must be given the option of using scarce grant dollars as efficiently as possible. If state officials believe that they can construct more facilities through a low-interest loan program than through direct grants, they should have that option.

Furthermore, we believe that in many communities, a greater reliance on low interest loans as opposed to grants can be achieved without unreasonable increases in the sewer rates paid by individual households. We recently conducted an analysis of various grant and low-interest (5%) loan combinations for a community of 10,000 or less, and estimated the impacts of various options on rates. According to our analysis, a copy of which is attached to this testimony, the lowest rates per household are achieved by the use of a grant covering 55 percent of the project cost with a five percent loan funding the remainder of the project. A grant covering 75 percent of project costs with no loan component produced slightly higher rates.

For secondary treatment, a grant covering 55 percent of project costs, with no loan component, increased rates by about $40 per year over the lowest-cost grant/loan option, and a five percent interest loan covering all of the project costs raised rates by approximately $55 per year over the lowest option. Perhaps most significantly, a low-interest loan covering 100 percent of project costs raised the average household rate by only about $53 per year (or less than $4.50 per month) when compared to a grant covering 75 percent of costs.

Mr. Chairman, this study suggests that in many instances loans can be substituted for grants without having significant negative impacts on local ratepayers.

We also would expect that the conversion of grant money to loans through the state infrastructure banks would go hand-in-hand with a reduction in the paperwork burdens accompanying such funds. The National Society of Professional Engineers has long maintained that these burdens are excessive, and we believe that if the states are willing to utilize their grants as seed money in such a revolving fund, the states should have the opportunity to reduce paperwork to the extent possible while still meeting basic national objectives.

## Public Investment/Jobs Act of 1983, S.724

Our primary interest in S.724 lies in Title I, which, like S.532, provides for the establishment of state funds for infrastructure financing.

Once again, we would note the need for flexibility. While we are sympathetic to your desire for an equal state match to the federal contribution to this fund, Mr. Chairman, we question the ability of many states to raise a large enough match to provide for a meaningful program.

We urge the Committee to revise the bill so that states facing severe fiscal problems will not be discouraged from participating. A small state share, or a provision allowing states to pay in their shares over a longer period of time, may be appropriate.

## Regional Economic Development Act of 1983, S.871

As a general principle, we support the efforts under S.871 to target federal assistance to areas experiencing the greatest economic difficulties. Every attempt should be made to direct limited federal dollars to areas of greatest need.

We also endorse the creation of state and local revolving funds for loans and loan guarantees to promote private sector economic development. Having already outlined why we believe such funds are superior in some instances to project grants, we would urge the Committee to give this concept serious consideration along with other legislation currently under consideration.

## Rebuilding of America Act of 1983, S.23

We endorse the basic goals of S.23, which are to conduct an inventory of capital investments in the United States, present Congress with a "National Public Improvements Plan," and bring capital budgeting practices into the federal budget process. With the exception of the capital budgeting report, which would be submitted by the Comptroller General, these activities would be carried out by the newly-created National Commission on the Rebuilding of America.

Achievements of these goals would provide badly needed information regarding the condition and needs of the nation's infrastructure, and would provide recommendations to Congress regarding priorities for future capital investment.

However, we do question some of the time frames included in the bill.

Only one year is provided for the national inventory; six months for the capital budgeting recommendations; 18 months for the draft National Public Improvement Plan, and two years for the final draft of the plan. We believe these are rather optimistic timetables, especially in light of the newness of the Commission. The Committee may wish to extend these deadlines somewhat.

Nevertheless, action on our infrastructure problems should not be delayed while this information is being collected. We may not possess all the pertinent details regarding our public works investment needs, but we certainly know those needs exist. The National Society of Professional Engineers urges the Committee to move expeditiously on legislation creating infrastructure banks and revolving funds for use on the state and local levels.

We appreciate having the opportunity to submit comments on these proposals, and we will be more than happy to work with the Committee on these and similar efforts in the future.

BF:cp

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# STATEMENT OF THE
# WATER AND WASTEWATER EQUIPMENT
# MANUFACTURERS ASSOCIATION, INC.

SUBMITTED TO THE

SENATE ENVIRONMENT & PUBLIC WORKS COMMITTEE

ON

INFRASTRUCTURE

MAY 4, 1983

## INFRASTRUCTURE

Mr. Chairman and Members of the Committee, the Water and Wastewater Equipment Manufacturers Association, Inc. (hereinafter, WWEMA) would like to thank you for allowing us an opportunity to submit our views on "Why we must Rebuild America!"

As you know, WWEMA is an association of major corporations that develop technology, and manufacture and supply equipment, materials and services to the water and wastewater industry.

A number of individuals and organizations, including WWEMA, are attempting to raise the consciousness of the public on the serious decay of this nation's infrastructure. WWEMA has played a leadership role in this public education effort by being part of a group that initiated the national coalition, known as "Good Water, America." This coalition is comprised of contractors, manufacturers, engineers and environmentalists with a common goal of educating the American public as to the significant water-related problems facing this nation.

The primary focus of WWEMA concerns public health relating to drinking and wastewater treatment systems. Therefore, the following remarks will be primarily directed to water-related areas of the larger infrastructure picture.

Inadequate and deteriorating facilities are weakening America's basic infrastructure and endangering the public health of our nation. State and local governments throughout the country are faced with enormous expenditures just to maintain present levels of service from existing facilities. Specifically:

- New York City must invest over $40 billion within the next 10 years to repair, service and rebuild basic public facilities. These include 6,000 miles of water lines.

- As part of a $1 billion cost, Cleveland must replace its publicly-owned water system.
- Dallas must raise $700 million for investment in water and sewerage treatment systems in the next nine years.
- For wastewater treatment systems alone, the EPA estimates it will cost $118 billion by the year 2000 to comply with the goals of the Clean Water Act. Another $110 billion is needed for drinking water needs and does not include areas of less than 50,000 population.
- Not to be overlooked is the massive waste and misplaced priorities which have found their way into the public works funding process. The primary source of waste is unnecessary delay. By the time a project is approved, funds are appropriated and construction actually begun, costs have increased significantly, largely due to inflation.
- A complex and politically sensitive issue is the allocation of public works responsibilities within the federal system. For example, at least six separate federal agencies such as EPA, HUD, EDA and the FmHA control programs for water and wastewater treatment funds. Yet no coordinated policy exists among these agencies, and the funding decisions of one agency remain independent of those issued by other agencies. State and local governments are not encouraged to develop long-term strategies for rebuilding the public infrastructure because federal funds are appropriated on an annual, not multi-year basis. The existing vertical and horizontal relationships among the diverse groups create fragmentation and a number of bureaucratic distortions in the operation of public works programs. These decentralized responsibilities also result in duplication of work and contradictory activities. In the absence of clearly documented needs and well articulated priorities, limited public works funds are too often used for short-term solutions instead of long-term problems.
- Basic information about the nation's public works is quite limited. For example, no inventory of the nation's capital stock exists and only the most limited analysis has been done of the condition of

existing facilities. Also, no standardized replacement/repair analysis exists. The current status of projects which have been approved and for which funds have been appropriated is not monitored in any systemmatic fashion. As a result, the pipeline of appropriated, but unconstructed, public works projects is able to expand with little notice by policymakers or administrators.

Only the most limited information exists about various technique to extend the life of present facilities, or about water conservation (metering) and cost cutting mechanisms. There are many utilities that have not monitored the integrity of their water systems. It is estimated that there are at least 15 million meters that are inaccurate. Also, from water utility data, it is estimated that 8.7 million residential load in the U.S. are not metered. This includes several large cities, such as Denver and New York City.

- Our minimum needs for Rebuilding America comes to $1.14 trillion (1983 Construction Equipment, Cohners Publishing Company); considerably more conservative than the $2.5 trillion reported by U. S. News and World Report.
- Rebuilding America can produce important people benefits too - like jobs. For every $1 billion spent on wastewater treatment facilities, more than 50,000 jobs are created.

The biggest benefit we get from rebuilding America is sustained economic growth. How can we expect a healthy economy and healthy people if our nation's basic fabric, its infrastructure, continues to decay and collapse? We cannot!

With the budget deficits our national government is facing, we cannot assume the job of "Rebuilding America" can be undertaken in Washington alone. We must look to innovative forms of financing our infrastructure. No one method of financing will be the cure all, but a combination of several ideas such as infrastructure banks, user taxes, privatization, bonds, etc. will be needed to resolve the financial requirement for rebuilding America's infrastructure.

Private firms (privatization) can be more efficient and operate at less cost than public agencies because of their ability to swiftly introduce new technology; their greater flexibility in the use of worker incentives; their ability to eliminate or reduce an unneeded service by simply not continuing a contract; and their often superior understanding of economies of scale and specialization.

WWEMA strongly supports Senator Moynihan's bill, S. 23, to conduct an inventory of water and sewer systems, bridges, highways and roads, and to develop a ten-year investment plan to rebuild public improvements. A study such as this will focus on the serious nature of the repair that needs to be done and the actual cost involved.

We offer for your consideration a combination of Senator Stafford and Senator Domenici's bills. Namely, the creation of a 10-year, $5 billion-per-year program to create a revolving loan infrastructure bank, that would then use the funds as equity capital to make loans to governmental units for public investment projects, including water supply and sewerage treatment. Initial capitalization should be provided by both the federal and state governments, with the percentage of funds required from the states to be determined by the Congress. WWEMA suggests that Congress direct the states to encourage, to whatever extent possible, economically and technologically feasible water conservation efforts which would employ accurate metering practices for water use accountability.

WWEMA opposes permitting states to transfer EPA wastewater treatment construction grants to the bank to use as loans. The establishment of such an infrastructure bank, as suggested above, would eliminate the need for using EPA Construction Grant funds for loans as proposed by Senator Domenici. To do so would create only further instability and unpredictability in the Construction Grants Program.

WWEMA is committed to assisting the Committee and praise you for taking the initial action in addressing our nation's infrastructure crisis. ###

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